

Morgan Stanley

INVESTMENT MANAGEMENT

# Morgan Stanley Investment Funds

*Société d'Investissement  
à Capital Variable  
Luxembourg (“SICAV”)*

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**Prospectus** | June 2024

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# A Word to Potential Investors

## All investments involve risk

When investing in funds, as with most investments, future performance may differ from past performance. There is no guarantee that any fund will meet its objectives or achieve any particular level of performance.

Fund investments are not bank deposits. The value of your investment can go up and down, and you could lose some or all of your investment. Levels of income could also go up or down (as a rate or in absolute terms). No fund in this prospectus is intended as a complete investment plan, nor are all funds appropriate for all investors.

Before investing in any fund, you should understand its risks, costs, and terms of investment, and how well these characteristics align with your own financial circumstances and risk tolerance.

As a potential investor, it is your responsibility to know and follow all applicable laws and regulations, including any foreign exchange restrictions, and to be aware of potential tax consequences associated with your citizenship, residence, or domicile (for which the SICAV will under no circumstances be responsible). Information about who may want to invest in any particular fund is for general reference only. We recommend that you consult financial, legal, and tax advisers before investing.

Any difference among fund asset currencies, share class currencies, and your home currency may expose you to currency risk. If your home currency is different from your share class currency, the performance you experience as an investor could be very different from the stated performance of the share class.

## Who can invest in these funds

Distributing this prospectus or the application form, offering these shares for sale, or investing in these shares is legal only where the shares are registered for public sale or where sale is not prohibited by local law or regulation. Neither this prospectus nor any other document relating to the SICAV is an offer or solicitation in any jurisdiction, or to any investor, where not legally permitted or where the person making the offer or solicitation is not qualified to do so.

Neither these shares nor the SICAV are registered with the US Securities and Exchange Commission or any other US entity, federal or otherwise. Therefore, unless the management company is satisfied that it would not constitute a violation of US securities laws, these shares are not sold in the USA and are not available to, or for the benefit of, US persons, except for any Morgan Stanley entity or that entity's subsidiaries or affiliates.

Certain shares are also not available to certain other investors, based on country of residence or domicile, nationality, or other criteria. In particular, the shares of Morgan Stanley Investment Funds Indian Equity Fund may not be offered or sold, directly or indirectly, to investors residing in India.

For more information on other restrictions on share ownership, contact us (see below).

## Which information to rely on

In deciding whether or not to invest in a fund, you should read the most recent prospectus or the relevant Key Information Documents (KIDs), any supplemental local offering document, the articles, and the latest annual and semi-annual reports. All of these documents should be considered in conjunction of this prospectus, and the prospectus is not complete without them. All of these documents are available online at [morganstanleyinvestmentfunds.com](http://morganstanleyinvestmentfunds.com) and must be provided to investors in a timely fashion before they purchase any shares of these funds. By buying shares in any of these funds, you are considered to accept the terms described in these documents and in the articles. None of this information constitutes investment advice.

Together, all these documents contain the only approved information about the funds and the SICAV. The board is not liable for any statements or information about the funds or the SICAV that is not contained in these documents. Anyone who offers any other information or representation, or who makes investment decisions based on the same, does so without authority and at their sole risk.

Information in this prospectus, or any document about the SICAV or funds, may have changed since the publication date. We will send a notice to shareholders and publish an updated version of this prospectus when material changes in prospectus information occur. In case of any inconsistency in translations of this prospectus, the articles, or the financial reports, the English version will prevail, unless determined otherwise by the SICAV or by the laws of a jurisdiction where the shares are sold.

### Interpreting this prospectus

The following rules apply unless law, regulation, or context require otherwise.

- terms that are defined in the 2010 Law but not here have the same meaning as in the 2010 Law
- terms used or defined in other documents that are clearly intended to be analogous to terms used or defined in this document should be considered equivalent; for example, "Company" elsewhere would correspond to "the SICAV" in this prospectus; "investment manager" and "Investment Sub-Adviser" elsewhere would correspond to "investment manager" and "investment sub-manager" in this prospectus; "sales charge" would correspond to "entry fees" in this prospectus
- the word "include", in any form, does not denote comprehensiveness

- a reference to an agreement includes any undertaking, deed, agreement, or legally enforceable arrangement, whether or not in writing, and a reference to a document includes an agreement in writing and any certificate, notice, instrument, or document of any kind
- a reference to a document, agreement, regulation, or legislation refers to the same as it has been amended or replaced (except as prohibited by this prospectus or applicable external controls), and a reference to a party includes the party's successors or permitted substitutes and assigns
- a reference to legislation includes reference to any of its provisions and any rule or regulation promulgated under the legislation
- any conflict in meaning between this prospectus and the articles will be resolved in favour of the prospectus for "Fund Descriptions" and in favour of the articles in all other cases

### TO CONTACT US

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### Currency abbreviations

**CHF** Swiss franc

**EUR** Euro

**GBP** British pound sterling

**JPY** Japanese yen

**SAR** Saudi Arabian riyal

**SGD** Singapore dollar

**USD** US dollar

# Fund Descriptions

The SICAV exists to offer institutional and individual investors access to professional investment management through a range of funds, each aiming to maximise the increase of shareholders' capital while also practicing sound risk diversification and offering high liquidity of fund shares. All of the funds described in this prospectus are part of the SICAV, which functions as an umbrella structure for them.

By law, each fund is permitted to invest as described in "General Investment Powers and Restrictions", and equally is required to comply with the restrictions stated in that section. However, each fund also has its own investment policy, which is generally narrower than what is permitted by law. Up to 5% of total net assets, a fund may use investments and techniques not described in its investment policy so long as the use is consistent with law and regulation, and with the fund's investment objective. Each fund may also temporarily depart from its investment policy to address unusual market conditions or large unpredictable events. Descriptions of the specific investment objectives, main investments and other key characteristics of each fund begin on the next page.

The management company has overall responsibility for the SICAV's business operations and its investment activities, including the investment activities of all of the funds. The management company may delegate some of its functions to various service providers, such as investment management, distribution and administration. The management company retains supervisory approval and control over its service providers.

More information about the SICAV, the management company and the service providers appears in the final two sections of this prospectus, "The SICAV" and "The Management Company".

For information on fees and expenses you may have to pay in connection with your investment, consult the following:

- Maximum fees for buying, exchanging and selling most shares: "Investing in the Funds".
- Maximum annual fees deducted from your investment: this "Fund Descriptions" section.
- Recent actual expenses: the applicable KID or the SICAV's most recent financial report.
- Fees for currency conversions, bank transactions and investment advice: your financial advisor, the transfer agent, or other service providers, as applicable.

## Terms with specific meanings

The terms below have the following meanings in this prospectus.

**2010 Law** The Luxembourg law of December 17, 2010 on undertakings for collective investment.

**the articles** The Articles of Association of the SICAV.

**base currency** The currency in which a fund does its accounting and maintains its primary NAV.

**the board** The Board of Directors of the SICAV.

**bond, debt security, fixed income security** Any type of debt security, such as straight bonds, zero coupon bonds, preference shares, deferred interest bonds, bonds and notes on which the interest is payable in the form of additional eligible stocks, bonds or notes of the same kind, convertible securities and securitised debt instruments, such as asset-backed securities and loan assignments and participations.

**business day** For each fund, any day on which it ordinarily calculates a NAV; for transaction settlement, any day that is a banking day in the country of the settlement currency.

**cash equivalents** Bank deposits (excluding bank deposits at sight), money market instruments, money market funds.

**China A-share** Securities of companies listed on the Shanghai Stock Exchange or the Shenzhen Stock Exchange that are denominated and traded in Chinese yuan and may include equities, participatory notes, preferred shares and equity warrants.

**corporate bond** Any type of corporate or non-government-related bond.

**CSSF** The *Commission de Surveillance du Secteur Financier* that supervises professionals and products of the Luxembourg financial sector.

**dealing day** For each fund, any day on which it accepts requests for transactions in fund shares. See page 187 for more information.

**eligible state** Any state that the board considers to be consistent with a given fund's investment policy.

**equity** Security representing a share in the business results of a company (common stock).

**equity-related security** Any type of equity warrant, participation note and depositary receipt, such as American, European and global depositary receipts.

**financial reports** The annual report of the SICAV, along with any semi-annual report that has been issued since the most recent annual report.

**fund** Except where indicated otherwise, any fund for which the SICAV serves as an umbrella UCITS.

**government bond** Any type of bond issued by a government, government agency, supranational or public international entity, local authority or government-sponsored organisation.

**intermediary** Any distribution agent or other financial intermediary not investing in the funds in its own name but on behalf of a beneficial investor.

**KID** Key information document for packaged retail and insurance-based investment products.

**located** With respect to an issuer, a jurisdiction where the issuer is domiciled or incorporated, where its securities are mainly traded, from which it derives a significant part of its revenue, or where any other factors exist that the investment manager reasonably considers to indicate a material degree of economic exposure.

**member state** A member state of the EU or of the European Economic Area.

**NAV** Net asset value per share; the value of one share of a fund.

**the prospectus** This document.

**regulated market** A regulated market within the meaning of Directive 2014/65/EU of the European Parliament and of the Council of May 14, 2014 on markets in financial instruments, or any other market in an eligible state that is regulated, regularly operating, recognised and open to the public.

**the SICAV** Morgan Stanley Investment Funds.

**US person** Any of the following, as defined in the US laws or regulations indicated:

- a "United States person" per section 7701(a)(30) of the Internal Revenue Code of 1986
- a "US person" per Regulation S of the 1933 Act
- a person that is "in the United States" per Rule 202(a)(30)-1 under the Investment Advisers Act of 1940
- a person that does not qualify as a "Non-United States Person" as per Commodities Futures Trading Commission Rule 4.7

**we, us** The SICAV, acting through the board, the management company or through any agents or service providers.

**you** Any past, current, or prospective shareholder, or an agent for the same.

For sustainability-related terms, see page 175.

# American Resilience Fund

## Investment Objective and Policy

**Objective** To seek long term capital appreciation, measured in USD.

**Investment policy** The fund primarily invests (at least 70% of total net assets) in equity securities, including depository receipts (including American Depository Receipts (ADRs) and Global Depository Receipts (GDRs)) of companies located in the US.

An issuer is considered a US company if it meets one or more the following criteria:

- its securities are traded on a recognised stock exchange in the US
- alone or on a consolidated basis it derives 50% or more of its annual revenues or profits from either goods produced, sales made or services performed in the US
- it is organised or has a principal office in the US
- it has at least 50% of its assets, core business operations and/or employees in the US
- any other factor which the investment manager, acting reasonably, considers denotes an economic exposure to the US

The fund may also invest, on an ancillary basis (up to 30% of total net assets), 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.

See also "Permitted assets, techniques and transactions" on page 177.

**Derivatives and techniques** The fund may use derivatives for reducing risks (hedging) and costs, and for investment purposes.

The fund may use core derivatives only (see "How the Funds Use Instruments and Techniques").

*TRS usage and securities lending* None.

**Strategy** The investment manager seeks to invest in a concentrated portfolio of high quality companies that can generate sustainably high returns on operating capital by identifying companies with strong franchises typically underpinned by hard to replicate intangible assets (including brands, networks, licences and patents) and pricing power, resulting in high gross margins. The investment manager also seeks to identify capable management teams able to allocate capital effectively to grow the franchise, maintain the intangible assets and sustain or improve returns on operating capital.

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.

**Sustainability approach** As an essential and integrated part of the investment process, the investment manager assesses relevant factors material to long-term sustainably high returns on operating capital including ESG factors and seeks to engage with companies as part of this. Subject to the fund's investment objective the fund 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 manager considers material risks or opportunities in any of the ESG areas which could threaten or enhance high returns on operating capital of a company.

Investment restrictions:

- The fund will apply climate-related restrictions to exclude investments in any company that the investment manager determines:
  - has any tie to fossil fuels (such as oil, gas and coal)
  - whose core business activity involves energy, construction materials, utilities (excluding renewable electricity and water utilities), metals and mining
- In addition, the fund shall not knowingly include any company:
  - whose core business activity involves weapons or civilian firearms
  - that is defined by the MSCI ESG Business Involvement Screening Research (MSCI ESG BISR) database to have any tie to controversial weapons

The details of the above exclusions can be found in the fund's exclusion policy which is available on the SICAV's website ([morganstanleyinvestmentfunds.com](http://morganstanleyinvestmentfunds.com) and on [morganstanley.com/im](http://morganstanley.com/im)).

Further to the above, the investment manager 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 [morganstanleyinvestmentfunds.com](http://morganstanleyinvestmentfunds.com) and on [morganstanley.com/im](http://morganstanley.com/im). Investments that are held by the fund but become restricted under either the first or second bullet point 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 manager, taking into account the best interests of the shareholders of the fund.

The investment manager monitors business practices on an ongoing basis, through data on ESG controversies and standards screening that the investment manager sources from third party providers, including UN Global Compact violations, as well as its own engagement with company management and research. The investment manager reviews securities of issuers where it believes a significant breach of the above standards and principles has occurred and typically excludes such issuers where, after conducting our research and/or engagement, the investment manager believes the breach is material to the sustainability of returns on operating capital, poses significant financial and reputational risk and the issuer has not committed to appropriate remedial action. Such exclusions are determined by the investment manager in its discretion rather than by reliance on third party analysis. The analysis may be supported by third party ESG controversies analysis and business involvement metrics.

*SFDR product category* Article 8.

For more information on sustainability, see the fund's sustainability annex and the "Sustainable Investing" section on page 175.

**Benchmark(s)** See the Key Information Document for information on the benchmark that is used for performance comparison. See page 175 for usage definitions.

**Fund base currency** USD.

## Main Risks

The risks below are divided according to how frequent (but not necessarily how significant) their effect may be on the fund. These are only the main risks, not a comprehensive listing. See "Risk Descriptions" on page 167 for more information.

### Risks typically associated with ordinary conditions

- Concentration
- Convertible bonds
- Credit
- Currency
- Depository receipt
- Derivatives
- Emerging markets
- Equities
- Eurozone
- ESG/sustainability
- Hedging
- Investment fund
- Management
- Market

### Risks typically associated with unusual conditions or unpredictable events

- Circumstantial liquidity
- Counterparty and collateral
- Operational and cyber
- Standard practices
- Tax change

**Risk monitoring approach** Commitment.

*Continues on next page.*

## Planning your Investment

**Investor profile** Investors who understand the risks of the fund and plan to invest for the medium term.

The fund may appeal to investors who:

- seek to invest in equities
- seek capital appreciation over the medium term
- seek income whether in the form of capital appreciation or distributions
- accept the risks associated with this type of investment

**Processing requests** Requests to buy, exchange and sell shares that are received and accepted by the transfer agent by 1:00 PM CET on any dealing day are ordinarily processed the same day, at a NAV calculated using market values from that day.

Settlement occurs within 3 business days after a request has been accepted.

Fees (%)					
Main share class	Max. one-time fees		Annual fees		
	Entry	CDSC	Management	Adminis-tration	Distribution
A	5.75	—	1.60	0.19	—
B	—	4.00 <sup>1</sup>	1.60	0.19	1.00
C	3.00	1.00 <sup>2</sup>	2.40	0.19	—
F	—	—	0.70	0.19	—
I	3.00	—	0.70	0.14	—
J	—	—	0.50	0.14	—
S	—	—	0.70	0.10	—
Z	1.00	—	0.70	0.10	—

<sup>1</sup> Contingent deferred sales charge applies to shares sold within 4 years of purchase and decreases yearly by 1%. After 4 years these shares automatically convert into class A shares.

<sup>2</sup> Contingent deferred sales charge applies to shares sold within 1 year of purchase.

Hedged share classes also pay a hedging fee of maximum 0.03%. For more about fees and expenses, see "Fund Fees and Costs" on page 200. For a current and complete list of available share classes, go to [morganstanleyinvestmentfunds.com](http://morganstanleyinvestmentfunds.com).

# Asia Opportunity Fund

## Investment Objective and Policy

**Objective** To seek long-term capital appreciation (measured in USD).

**Investment policy** The fund primarily invests (at least 70% of total net assets) in equity securities of issuers located in Asia, excluding Japan, including depositary receipts (including American Depositary Receipts (ADRs), Global Depositary Receipts (GDRs)), and China A-shares (through Stock Connect).

The fund may also invest, on an ancillary basis (up to 30% of total net assets), 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 (up to 10% of total net assets) in units/shares of other collective investment schemes, including the SICAV's funds and open-ended ETFs which are eligible investments for UCITS under the 2010 Law, and in shares of special purpose acquisition companies (SPACs).

See also "Permitted assets, techniques and transactions" on page 177.

**Derivatives and techniques** The fund may use derivatives for reducing risks (hedging) and costs, and for investment purposes.

The fund intends to use core derivatives only (see "How the Funds Use Instruments and Techniques").

**TRS usage** None.

**Securities lending** 0% of total net assets expected, 33% maximum.

**Strategy** The investment manager emphasises a bottom-up stock selection process, seeking attractive investments on an individual company basis. In selecting securities for investment, the investment manager seeks high quality established and emerging companies that the investment manager believes are undervalued at the time of purchase. The investment manager 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 manager generally considers selling a portfolio holding when it determines that the holding no longer satisfies its investment criteria. 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.

**Sustainability approach** The investment manager employs a holistic approach to ESG within its company quality assessment by analysing potential impacts to humanity's health, environment, liberty and productivity, and corporate governance measures to ensure agency, culture and trust. The investment manager 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 manager believes that ESG risks are more likely to materialise and externalities not borne by the investee 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 manager typically engages company management in constructive discussions on a range of ESG issues the investment manager deems materially important.

Specifically, investments shall not knowingly include any company whose primary business activity involves the following:

- tobacco
- coal
- weapons, comprising civilian firearms, cluster munitions and anti-personnel mines

Further to the above, the investment manager may, in its discretion, select to apply additional ESG-related investment restrictions over time that it believes are consistent with its investment objectives.

The details of exclusions can be found in the fund's exclusion policy which is available on the SICAV's [website](#). Investments that are held by the fund but become restricted after they are acquired due to the application of the ESG criteria will be sold. Such sales will take place

over a time period to be determined by the investment manager, taking into account the best interests of the shareholders of the fund. *SFDR product category* Article 8.

For more information on sustainability, see the fund's sustainability annex and the "Sustainable Investing" section on page 175.

**Benchmark(s)** See the Key Information Document for information on the benchmark that is used for performance comparison. See page 175 for usage definitions.

**Fund base currency** USD.

## Main Risks

The risks below are divided according to how frequent (but not necessarily how significant) their effect may be on the fund. These are only the main risks, not a comprehensive listing. See "Risk Descriptions" on page 167 for more information.

### Risks typically associated with ordinary conditions

- Convertible bonds
- Country risk — China
- Credit
- Currency
- Depositary receipt
- Derivatives
- Emerging markets
- Equities
- ESG/sustainability
- Hedging
- Investment fund
- Management
- Market
- SPAC

### Risks typically associated with unusual conditions or unpredictable events

- Circumstantial liquidity
- Counterparty and collateral, incl. securities techniques
- Operational and cyber
- Standard practices
- Tax change

**Risk monitoring approach** Commitment.

## Planning your Investment

**Investor profile** Investors who understand the risks of the fund and plan to invest for the long term.

The fund may appeal to investors who:

- seek to invest in equities
- seek capital appreciation over the long term
- seek income whether in the form of capital appreciation or distributions
- accept the risks associated with this type of investment

**Processing requests** Requests to buy, exchange and sell shares that are received and accepted by the transfer agent by 1:00 PM CET on any dealing day are ordinarily processed the same day, at a NAV calculated using market values from that day.

Settlement occurs within 3 business days after a request has been accepted.

## Fees (%)

Main share class	Max. one-time fees		Annual fees			
	Entry	CDSC	Management	Administration	Distribution	Max. emerging mkt custody
A	5.75	—	1.60	0.19	—	0.05
B	—	4.00 <sup>1</sup>	1.60	0.19	1.00	0.05
C	3.00	1.00 <sup>2</sup>	2.40	0.19	—	0.05
F	—	—	0.75	0.19	—	0.05
I	3.00	—	0.75	0.14	—	0.05
J	—	—	0.65	0.14	—	0.05
S	—	—	0.75	0.10	—	0.05
Z	1.00	—	0.75	0.10	—	0.05

<sup>1</sup> Contingent deferred sales charge applies to shares sold within 4 years of purchase and decreases yearly by 1%. After 4 years these shares automatically convert into class A shares.

<sup>2</sup> Contingent deferred sales charge applies to shares sold within 1 year of purchase.

Hedged share classes also pay a hedging fee of maximum 0.03%. For more about fees and expenses, see "Fund Fees and Costs" on page 200. For a current and complete list of available share classes, go to [morganstanleyinvestmentfunds.com](#).

# Asian Property Fund

## Investment Objective and Policy

**Objective** To increase the value of your investment over the long term, mainly through growth of capital.

**Investment policy** The fund invests at least 70% of total net assets in equities of companies with services, products or holdings in the real estate industry, or closely related to this industry. These investments are located in Asia or Oceania, including emerging markets.

Specifically, these investments are in companies whose main activity is the development or ownership of income-producing property, companies that operate, construct, finance or sell real estate. These investments may include property-related collective investment vehicles, such as publicly quoted property unit trusts and eligible closed-end real estate investment trusts (REITs).

The fund may invest up to 30% of total net assets in equities not meeting the criteria of the fund's primary investments, and other types of securities, such as preference shares and convertible bonds.

The fund may invest in, or be exposed to, the following, up to the percentage of total net assets indicated:

- China A-shares (through Stock Connect): 20%

Non-base currency exposure may be partially or fully hedged to the base currency of the fund.

See also "Permitted assets, techniques and transactions" on page 177.

**Derivatives and techniques** The fund may use derivatives for reducing risks (hedging) and costs only.

The fund intends to use core derivatives only (see "How the Funds Use Instruments and Techniques").

*TRS usage* None

*Securities lending* 8% of total net assets expected, 33% maximum.

**Strategy** In actively managing the fund, the investment manager uses fundamental analysis to identify companies whose securities may offer the best value relative to their underlying assets and earnings or have above-average growth potential (bottom-up approach). The investment manager also considers forecasted fundamental inflections and macroeconomic, geopolitical and country risk factors to achieve geographical and sectoral diversification at the portfolio level (top-down approach). The fund is not benchmark-constrained and its performance may deviate significantly from that of the benchmark.

**Sustainability approach** The investment manager actively integrates sustainability into the investment process by assessing key ESG risks and opportunities in the bottom-up stock selection process primarily by leveraging third party ESG providers to assess and quantify ESG performance for issuers, supplementing third party research with proprietary research conducted by the investment manager including utilising a framework for assessing and quantifying risks and opportunities related to ESG which results in a quantitative adjustment to valuation estimates, and through engagements with company management to discuss ESG-related strengths, weaknesses, and opportunities in an effort to effect positive change within the industry. Key ESG topics may include, but are not limited to: energy usage and renewables, water usage, emissions, diversity and gender equality, labour and human rights, employee and tenant health, wellness and safety and company ESG governance and disclosure.

In an effort to drive positive change and encourage companies to improve their performance on material ESG issues, the investment manager may approach company management with competitive insights, financially sound business cases and practical solutions to potentially improve their real estate operations. While ESG considerations are an integrated and fundamental part of the investment process, they are only one of several key determinants used by the investment manager to determine if an investment will be made or size adjusted in the overall portfolio.

Investments shall not knowingly include any company whose primary business activity in any of the following is more than 10% of company revenue:

- owning or operating real estate used for for-profit prisons
- owning or operating real estate used to manufacture cannabis
- manufacturing or production of tobacco
- manufacturing or production of coal mining
- manufacturing or production of controversial weapons and civilian firearms
- manufacturing or production of Arctic oil and gas

Investments shall not knowingly include the following companies that:

- have a notable controversy related to their operations and/or products, where the severity of the social or environmental impact of the controversy, is judged by the investment manager
- fail to comply with the UN Global Compact or the ILO Fundamental Principles, without material remediation and improvement
- do not have at least one female board member (excluding companies located in Japan)

The investment manager references third party ESG data and its own proprietary research during the security research process. The investment manager will review controversy cases (such as the exclusions noted above) that it views as being very severe using ratings by relevant ESG data providers and internal research. However, in some cases data on specific issuers or the exclusions noted above may not be readily available and/or may be estimated by the investment manager using reasonable estimates.

*SFDR product category* Article 8.

For more information on sustainability, see the fund's sustainability annex and the "Sustainable Investing" section on page 175.

**Benchmark(s)** See the Key Information Document for information on the benchmark that is used for performance comparison. See page 175 for usage definitions.

**Fund base currency** USD.

## Main Risks

The risks below are divided according to how frequent (but not necessarily how significant) their effect may be on the fund. These are only the main risks, not a comprehensive listing. See "Risk Descriptions" on page 167 for more information.

### Risks typically associated with ordinary conditions

- Convertible bonds
- Country risk — China
- Credit
- Currency
- Derivatives
- Emerging markets
- Equities
- ESG/sustainability
- Eurozone
- Investment fund
- Management
- Market
- Real estate investment

### Risks typically associated with unusual conditions or unpredictable events

- Circumstantial liquidity
- Counterparty and collateral, incl. securities techniques
- Operational and cyber
- Standard practices
- Tax change

**Risk monitoring approach** Commitment.

*Continues on next page.*



## Planning your Investment

**Investor profile** Investors who understand the risks of the fund and plan to invest for the long term.

The fund may appeal to investors who:

- are looking for long-term investment growth
- seek income whether in the form of capital appreciation or distributions
- are interested in exposure to real estate markets, either for a core investment or for diversification
- accept the risks associated with this type of investment

**Processing requests** Requests to buy, exchange and sell shares that are received and accepted by the transfer agent by 1:00 PM CET on any dealing day are ordinarily processed the same day, at a NAV calculated using market values from that day.

Settlement occurs within 3 business days after a request has been accepted.

### Fees (%)

Main share class	Max. one-time fees		Annual fees		
	Entry	CDSC	Management	Adminis-tration	Distribution
A	5.75	—	1.40	0.19	—
B	—	4.00 <sup>1</sup>	1.40	0.19	1.00
C	3.00	1.00 <sup>2</sup>	2.20	0.19	—
F	—	—	0.75	0.19	—
I	3.00	—	0.75	0.14	—
J	—	—	—	0.14	—
S	—	—	0.75	0.10	—
Z	1.00	—	0.75	0.10	—

<sup>1</sup>Contingent deferred sales charge applies to shares sold within 4 years of purchase and decreases yearly by 1%. After 4 years these shares automatically convert into class A shares.

<sup>2</sup>Contingent deferred sales charge applies to shares sold within 1 year of purchase.

Hedged share classes also pay a hedging fee of maximum 0.03%. For more about fees and expenses, see "Fund Fees and Costs" on page 200. For a current and complete list of available share classes, go to [morganstanleyinvestmentfunds.com](http://morganstanleyinvestmentfunds.com).

# Calvert Global Equity Fund

## Investment Objective and Policy

**Objective** To provide high total returns, consistent with reasonable risk, over the long term.

**Investment policy** The fund invests at least 70% of total net assets in equities of companies located anywhere in the world, including emerging markets.

Specifically, these investments include equities (common stocks) only. The fund may invest up to 30% of total net assets in emerging market equities.

The fund may invest up to 30% of total net assets in equities not meeting the criteria of the fund's primary investments, and other types of securities, such as equity-related securities and eligible closed-end real estate investment trusts (REITs), that meet the investment manager's ESG criteria.

Non-base currency exposure may be partially or fully hedged to the base currency of the fund.

See also "Permitted assets, techniques and transactions" on page 177.

**Derivatives and techniques** The fund may use derivatives for reducing risks (hedging) and costs, and for investment purposes.

The fund intends to use core derivatives only (see "How the Funds Use Instruments and Techniques").

*TRS usage and securities lending* None.

**Strategy** The fund will invest in companies that, in the opinion of the investment manager, exhibit, through their operations and business practices, sound management of ESG characteristics. These characteristics include environmental sustainability, resource efficiency, support for equitable societies and respect for human rights, accountable governance, and transparent operations. The investment manager focuses on the long-term ownership of companies with sustainable business models, believing that the real value in a stock lies in its ability to compound cash flow over time. The investment manager seeks to identify high or improving quality companies with secular growth characteristics, high or improving returns on invested capital, sustainable competitive advantages, durable balance sheets, and a strong capital allocation record that are trading at a discount to the investment manager's estimate of the security's intrinsic value. The investment manager seeks to build a concentrated and balanced portfolio that may participate in rising markets and exhibit resilience in weaker market environments. The fund is not benchmark-constrained and its performance may deviate significantly from that of the benchmark.

**Sustainability approach** The fund will invest in companies that, in the opinion of the investment manager, exhibit, through their operations and business practices, sound management of ESG characteristics. These characteristics include environmental sustainability, resource efficiency, support for equitable societies and respect for human rights, accountable governance, and transparent operations. In identifying issuers which exhibit sound management of ESG characteristics, the fund utilises a quantitative and qualitative ESG research process that applies the [Calvert Principles for Responsible Investment](#) to the entire investment universe. Through this process, companies are assessed for their management of ESG risks and opportunities and deemed either eligible or ineligible for investment according to the Calvert Principles. Each company is evaluated relative to an appropriate peer group based on material ESG factors. The investment manager and Calvert also seek to engage company management on financially material ESG issues identified through fundamental and ESG research processes. Engagement may seek to drive positive change, to improve the sustainability of each company, and/or to enhance long-term value creation.

The investment manager 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 manager may sell or underweight a security, commence active dialogue/engagement with company management (e.g., an engagement with a company on its material ESG risks or opportunities such as climate change, diversity, labor and human rights and ESG disclosure), either solely or as part of a shareholder coalition, or make adjustments to allocations.

Investments that are held by the fund but subsequently become ineligible to be held by the fund after they are acquired due to the application of the ESG criteria above will be sold. Such sales will take place over a reasonable time period to be determined by the investment manager, taking into account the best interests of the shareholders of the fund.

The fund references third party ESG data and its own proprietary research data during the security research process. The investment manager may also utilise third party data in its portfolio construction process. However, in some cases data on specific issuers may not be readily available and/or may be estimated by the investment manager using reasonable estimates.

The investment manager seeks to manage individual security risk through analysis of each security's risk/reward potential and to manage portfolio risk by constructing a diversified portfolio of what it believes to be high and improving quality companies. The investment manager may sell a security when its fundamentals deteriorate, when its valuation is no longer attractive, or when other securities are identified to displace a current holding.

In relation to this fund, the use of "Calvert" in the name refers to Calvert Research and Management ("Calvert"), an indirect, wholly owned subsidiary of Morgan Stanley, whose role in relation to this fund is limited to the provision of non-discretionary investment advice to the investment manager to assist the investment manager in its management of the fund. Calvert has no discretion to make or recommend portfolio allocation or construction decisions on behalf of the fund, such investment discretion being vested solely in the investment manager.

*SFDR product category* Article 8.

For more information on sustainability, see the fund's sustainability annex and the "Sustainable Investing" section on page 175.

**Benchmark(s)** See the Key Information Document for information on the benchmark that is used for performance comparison.

**Fund base currency** USD.

## Main Risks

The risks below are divided according to how frequent (but not necessarily how significant) their effect may be on the fund. These are only the main risks, not a comprehensive listing. See "Risk Descriptions" on page 167 for more information.

### Risks typically associated with ordinary conditions

- Currency
- Derivatives
- Emerging markets
- Equities
- ESG/sustainability
- Eurozone
- Hedging
- Investment fund
- Management
- Market
- Real estate investment

### Risks typically associated with unusual conditions or unpredictable events

- Circumstantial liquidity
- Counterparty and collateral
- Operational and cyber
- Standard practices
- Tax change

**Risk monitoring approach** Commitment.

*Continues on next page.*

## Planning your Investment

**Investor profile** Investors who understand the risks of the fund and plan to invest for the medium term.

The fund may appeal to investors who:

- are looking for medium-term investment growth
- seek income whether in the form of capital appreciation or distributions
- are interested in exposure to equity markets globally, either for a core investment or for diversification
- accept the risks associated with this type of investment

**Processing requests** Requests to buy, exchange and sell shares that are received and accepted by the transfer agent by 1:00 PM CET on any dealing day are ordinarily processed the same day, at a NAV calculated using market values from that day.

Settlement occurs within 3 business days after a request has been accepted.

### Fees (%)

Main share class	Max. one-time fees		Annual fees		
	Entry	CDSC	Management	Adminis-tration	Distribution
A	5.75	—	1.75	0.19	—
B	—	4.00 <sup>1</sup>	1.75	0.19	1.00
C	3.00	1.00 <sup>2</sup>	2.35	0.19	—
F	—	—	0.70	0.19	—
I	3.00	—	0.70	0.14	—
J	—	—	0.35	0.14	—
S	—	—	0.70	0.10	—
Z	1.00	—	0.70	0.10	—

<sup>1</sup> Contingent deferred sales charge applies to shares sold within 4 years of purchase and decreases yearly by 1%. After 4 years these shares automatically convert into class A shares.

<sup>2</sup> Contingent deferred sales charge applies to shares sold within 1 year of purchase.

Hedged share classes also pay a hedging fee of maximum 0.03%. For more about fees and expenses, see "Fund Fees and Costs" on page 200. For a current and complete list of available share classes, go to [morganstanleyinvestmentfunds.com](http://morganstanleyinvestmentfunds.com).

# Calvert Sustainable Climate Aligned Fund

## Investment Objective and Policy

**Objective** To increase the value of your investment over the long term, mainly through growth of capital, while maintaining a carbon profile that follows the net zero objectives of the Paris Agreement on global warming.

**Investment policy** The fund invests at least 70% of total net assets in equities of companies located in developed markets that:

- are involved in economic activities that address the climate transition, such as carbon emissions reduction, renewable energy, energy storage, water supply, waste management and green mobility
- demonstrate a commitment to reach, or are on a carbon emission trend aligned with, net zero greenhouse gas emissions by 2050 or sooner

Specifically, these investments may include equity-related securities, such as American, European and global depositary receipts.

The fund may invest up to 30% of total net assets in equities not meeting the criteria of the fund's primary investments, and other types of securities, such as preference shares and convertible bonds, that meet the investment manager's ESG criteria.

Non-base currency exposure may be partially or fully hedged to the base currency of the fund.

See also "Permitted assets, techniques and transactions" on page 177.

**Derivatives and techniques** The fund may use derivatives for reducing risks (hedging) and costs, and for investment purposes.

The fund intends to use core derivatives only (see "How the Funds Use Instruments and Techniques").

*TRS usage and securities lending* None.

**Strategy** In actively managing the fund, the investment manager uses quantitative and qualitative research to identify companies with favourable ESG characteristics that appear to have above-average total return potential (top-down approach). The fund is not benchmark-constrained and its performance may deviate significantly from that of the benchmark.

**Sustainability approach** The fund utilises a quantitative and qualitative ESG research process that applies the [Calvert Principles for Responsible Investment](#) to define the investment universe while making sure that such companies do not significantly harm any environmental or social objective. The investment manager may engage company management around financially material ESG issues that it deems to have a positive impact on society or the environment.

The investment manager 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 manager may sell or underweight a security, commence active dialogue/engagement with company management (e.g., an engagement with a company on its material ESG risks or opportunities such as climate change, diversity, labor and human rights and ESG disclosure, either solely or as part of a shareholder coalition), or make adjustments to allocations.

The fund will maintain a carbon profile that follows the net zero objectives of the Paris Agreement, it will maintain a substantially lower carbon footprint, of at least 50% less than that of the benchmark, and taking into account the long-term carbon reduction objectives of the Paris Agreement which may warrant a revision of the targeted range of reduction over time. Carbon footprint shall be measured as weighted average carbon intensity, defined as tonnes of CO<sub>2</sub> per \$1million enterprise value including cash.

The investment manager utilises an ESG research process that seeks to differentiate companies based on the contribution of their products and services in addressing the climate transition and/or identifies companies that demonstrate a commitment to the goal of net zero greenhouse gas emissions by 2050 or sooner. The investment manager evaluates carbon reduction commitments, carbon emission trends and progress toward meeting net zero commitments in its assessment. Once a universe of climate transition and/or aligned companies is established, the investment manager then constructs the portfolio through an optimization process that tilts the portfolio towards companies with lower carbon risk, while minimising factor risks relative to the benchmark.

The aforementioned ESG criteria will result in a 20% or more reduction of the investment universe in a significantly engaging manner, and the aim of the investment manager will be to ensure that at least 90% of the issuers in the portfolio are assessed against these ESG considerations. The investment universe for these purposes is defined as the constituents of the benchmark.

The investment manager shall not knowingly include the following companies in the investment universe companies:

- involved with severe ESG controversies without material remediation and improvement
- manufacturing or production of controversial weapons and civilian firearms
- manufacturing or production of tobacco
- gambling

The investment manager utilises a quantitative and qualitative ESG research process that seeks to differentiate companies based on the contribution of their products and services in addressing climate transition and/or alignment.

Further to the above, the investment manager may, in its discretion, select to apply additional ESG-related investment restrictions over time that it believes are consistent with its investment objectives. Such additional restrictions can be found on the SICAV's [website](#).

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

The fund references third party ESG data and its own proprietary research data during the security research process. The investment manager may also utilise third party data in its portfolio construction process. However, in some cases data on specific issuers or the exclusions noted above may not be readily available and/or may be estimated by the investment manager using reasonable estimates.

*SFDR product category* Article 9.

For more information on sustainability, see the fund's sustainability annex and the "Sustainable Investing" section on page 175.

**Benchmark(s)** MSCI World Index, used for sustainability indicator comparison. See the Key Information Document for information on the benchmark that is used for performance comparison. See page 175 for usage definitions.

**Fund base currency** USD.

*Continues on next page.*

## Main Risks

The risks below are divided according to how frequent (but not necessarily how significant) their effect may be on the fund. These are only the main risks, not a comprehensive listing. See "Risk Descriptions" on page 167 for more information.

### Risks typically associated with ordinary conditions

- Convertible bonds
- Credit
- Currency
- Depositary receipt
- Derivatives
- Equities
- ESG/sustainability
- Eurozone
- Hedging
- Infrastructure
- Investment fund
- Management
- Market
- Real estate investment

### Risks typically associated with unusual conditions or unpredictable events

- Circumstantial liquidity
- Counterparty and collateral
- Operational and cyber
- Standard practices
- Tax change

**Risk monitoring approach** Commitment.

## Planning your Investment

**Investor profile** Investors who understand the risks of the fund and plan to invest for the long term.

The fund may appeal to investors who:

- are looking for long-term investment growth, through an investment with comparatively high environmental or social characteristics

- seek income whether in the form of capital appreciation or distributions
- are interested in exposure to equity markets globally, either for a core investment or for diversification
- accept the risks associated with this type of investment

**Processing requests** Requests to buy, exchange and sell shares that are received and accepted by the transfer agent by 1:00 PM CET on any dealing day are ordinarily processed the same day, at a NAV calculated using market values from that day.

Settlement occurs within 3 business days after a request has been accepted.

### Fees (%)

Main share class	Max. one-time fees		Annual fees		
	Entry	CDSC	Management	Administration	Distribution
A	5.75	—	1.25	0.19	—
B	—	4.00 <sup>1</sup>	1.25	0.19	1.00
C	3.00	1.00 <sup>2</sup>	1.65	0.19	—
F	—	—	0.50	0.19	—
I	3.00	—	0.50	0.14	—
J	—	—	0.25	0.14	—
S	—	—	0.50	0.10	—
Z	1.00	—	0.50	0.10	—

<sup>1</sup>Contingent deferred sales charge applies to shares sold within 4 years of purchase and decreases yearly by 1%. After 4 years these shares automatically convert into class A shares.

<sup>2</sup>Contingent deferred sales charge applies to shares sold within 1 year of purchase.

Hedged share classes also pay a hedging fee of maximum 0.03%. For more about fees and expenses, see "Fund Fees and Costs" on page 200. For a current and complete list of available share classes, go to [morganstanleyinvestmentfunds.com](http://morganstanleyinvestmentfunds.com).

# Calvert Sustainable Climate Transition Fund

## Investment Objective and Policy

**Objective** To increase the value of your investment over the long term, through a combination of income and growth of capital (total return), while advancing climate mitigation and adaptation goals.

**Investment policy** The fund invests at least 70% of total net assets in equities of companies whose products and services contribute to mitigate or adapt to climate change, such as carbon emissions reduction, renewable energy, energy storage, water management, waste management and green mobility. These investments may be located anywhere in the world, including emerging markets.

Specifically, these investments may include equity-related securities, such as American, European and global depository receipts.

The fund may invest up to 30% of total net assets in equities not meeting the criteria of the fund's primary investments, and other types of securities, such as preference shares and convertible bonds, that meet the investment manager's ESG criteria.

The fund may invest in, or be exposed to, the following, up to the percentage of total net assets indicated:

- China A-shares (through Stock Connect) qualifying as sustainable investments: 20%

Non-base currency exposure may be partially or fully hedged to the base currency of the fund.

See also "Permitted assets, techniques and transactions" on page 177.

**Derivatives and techniques** The fund may use derivatives for reducing risks (hedging) and costs only.

The fund intends to use core derivatives only (see "How the Funds Use Instruments and Techniques").

*TRS usage* None.

*Securities lending* 12% of total net assets expected, 33% maximum.

**Strategy** In actively managing the fund, the investment manager combines sustainability and fundamental analysis to build a concentrated portfolio of companies that appear to have above-average total return potential (top-down and bottom-up approach).

**Sustainability approach** The fund utilizes a quantitative and qualitative ESG research process that applies the [Calvert Principles for Responsible Investment](#) to define the investment universe, and which then seeks to differentiate companies based on the extent to which their business models help to mitigate or adapt to climate change, while making sure that such companies do not significantly harm any environmental or social objective. The investment manager will strive to engage company management around ESG issues where it is determined it is possible to generate positive impact on the sustainable investment objective, on a company's environmental or social performance factors or its corporate governance practices.

Companies engaged in climate change-focused businesses may be involved directly or indirectly in, among other areas, renewable power, water management, waste management, electrification, battery storage, mobility, hydrogen, biofuels, and agriculture, as well as other operations that help to facilitate a lower carbon environment.

The investment manager 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 manager may sell or underweight a security, commence active dialogue/engagement with company management (e.g., an engagement with a company on its material ESG risks or opportunities such as climate change, diversity, labor and human rights and ESG disclosure, either solely or as part of a shareholder coalition), or make adjustments to allocations.

The fund aims to achieve its climate change mitigation and adaptation objective by investing in companies in the aforementioned areas, and whose business models either have a current, direct impact on lowering carbon emissions or which are

investing significant capital in Property, Plan, and Equipment (PP&E), technology, and processes that will help facilitate lower carbon emissions in the future and which qualify as sustainable investments. Companies are further delineated between those that are providers of an end-product or service ("Providers") or part of the supply chain/process enabling an end-product or service ("Enablers"). Broad definitions of each category are articulated below:

- Providers and Enablers: companies whose products and services directly help to provide climate change mitigation support or those that enable mitigation through the supply chain of Providers
- Transitioning companies: companies that are not currently Providers or Enablers, but are in the process of introducing new business lines and/or changing old ones such that they will become Providers or Enablers in the future
- Adapters: companies which currently provide or in the future will provide products and services that help other companies or human stakeholders to adapt to the risks posed by climate change"

The aforementioned ESG criteria will result in a 20% or more reduction of the investment universe in a significantly engaging manner, and the aim of the investment manager will be to ensure that at least 90% of the issuers in the portfolio are assessed against these ESG considerations. The investment universe for these purposes is defined as a selection of companies across various industry groups that fit into GICS (Global Industry Classification Standard) categories including but not restricted to Industrials, Utilities, Materials, Energy, Financials, Information Technology, Consumer Discretionary and Consumer Staples and which are engaged in the climate-focused business areas described above. This selection is based on the quantitative and qualitative ESG research process that applies the Calvert Principles for Responsible Investment as mentioned in the paragraph above.

In addition to the above ESG criteria, the investment manager monitors business practices on an ongoing basis, through data on ESG controversies and standards screening sourced from third party providers. The investment manager 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.

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 manager 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 manager using reasonable estimates or third party data.

In relation to this fund, the use of "Calvert" in the name refers to Calvert Research and Management ("Calvert"), an indirect, wholly owned subsidiary of Morgan Stanley, whose role in relation to this fund is limited to the provision of non-discretionary investment advice to the investment manager to assist the investment manager in its management of the fund. Calvert has no discretion to make or recommend portfolio allocation or construction decisions on behalf of the fund, such investment discretion being vested solely in the investment manager.

*SFDR product category* Article 9.

For more information on sustainability, see the fund's sustainability annex and the "Sustainable Investing" section on page 175.

**Benchmark(s)** See the Key Information Document for information on the benchmark that is used for performance comparison. See page 175 for usage definitions.

**Fund base currency** USD.

*Continues on next page.*

## Main Risks

The risks below are divided according to how frequent (but not necessarily how significant) their effect may be on the fund. These are only the main risks, not a comprehensive listing. See "Risk Descriptions" on page 167 for more information.

### Risks typically associated with ordinary conditions

- Commodity
- Concentration
- Convertible bonds
- Country risk — China
- Credit
- Currency
- Depositary receipt
- Derivatives
- Emerging markets
- Equities
- ESG/sustainability
- Eurozone
- Hedging
- Infrastructure
- Investment fund
- Management
- Market
- Real estate investment

### Risks typically associated with unusual conditions or unpredictable events

- Circumstantial liquidity
- Counterparty and collateral, incl. securities techniques
- Operational and cyber
- Standard practices
- Tax change

**Risk monitoring approach** Commitment.

## Planning your Investment

**Investor profile** Investors who understand the risks of the fund and plan to invest for the long term.

The fund may appeal to investors who:

- are looking for long-term investment growth, through an investment with comparatively high environmental or social characteristics

- seek income whether in the form of capital appreciation or distributions
- are interested in exposure to equity markets globally, either for a core investment or for diversification
- accept the risks associated with this type of investment

**Processing requests** Requests to buy, exchange and sell shares that are received and accepted by the transfer agent by 1:00 PM CET on any dealing day are ordinarily processed the same day, at a NAV calculated using market values from that day.

Settlement occurs within 3 business days after a request has been accepted.

### Fees (%)

Main share class	Max. one-time fees		Annual fees		
	Entry	CDSC	Management	Adminis-tration	Distribution
A	5.75	—	1.90	0.19	—
B	—	4.00 <sup>1</sup>	1.90	0.19	1.00
C	3.00	1.00 <sup>2</sup>	2.50	0.19	—
F	—	—	0.75	0.19	—
I	3.00	—	0.75	0.14	—
J	—	—	0.45	0.14	—
S	—	—	0.75	0.10	—
Z	1.00	—	0.75	0.10	—

<sup>1</sup>Contingent deferred sales charge applies to shares sold within 4 years of purchase and decreases yearly by 1%. After 4 years these shares automatically convert into class A shares.

<sup>2</sup>Contingent deferred sales charge applies to shares sold within 1 year of purchase.

Hedged share classes also pay a hedging fee of maximum 0.03%. For more about fees and expenses, see "Fund Fees and Costs" on page 200. For a current and complete list of available share classes, go to [morganstanleyinvestmentfunds.com](http://morganstanleyinvestmentfunds.com).

# Calvert Sustainable Developed Europe Equity Select Fund

## Investment Objective and Policy

**Objective** To increase the value of your investment over the long term, mainly through growth of capital, while maintaining a carbon profile that is substantially lower than that of the benchmark.

**Investment policy** The fund invests at least 70% of total net assets in equities of companies whose products, services or operations address global environmental or societal challenges, such as carbon emissions reduction, environmental sustainability, resource efficiency, human capital, workplace diversity, social inclusion, product responsibility and accountable governance. These companies may be leaders in managing financially material environmental or social risks and opportunities or demonstrate an improvement in managing them. These investments are located in European developed markets.

Specifically, these investments may include equity-related securities, such as American, European and global depositary receipts.

The fund may invest up to 30% of total net assets in equities not meeting the criteria of the fund's primary investments, and other types of securities, such as preference shares and convertible bonds, that meet the investment manager's ESG criteria.

Non-base currency exposure may be partially or fully hedged to the base currency of the fund.

See also "Permitted assets, techniques and transactions" on page 177.

**Derivatives and techniques** The fund may use derivatives for reducing risks (hedging) and costs, and for investment purposes.

The fund intends to use core derivatives only (see "How the Funds Use Instruments and Techniques").

*TRS usage and securities lending* None.

**Strategy** In actively managing the fund, the investment manager uses quantitative and qualitative research to identify companies with favourable ESG characteristics that appear to have above-average total return potential (top-down approach). The fund is not benchmark-constrained and its performance may deviate significantly from that of the benchmark.

**Sustainability approach** The fund utilises a quantitative and qualitative ESG research process that applies the [Calvert Principles for Responsible Investment](#) to define the investment universe while making sure that such companies do not significantly harm any environmental or social objective. The investment manager may engage company management around financially material ESG issues that it deems to have a positive impact on society or the environment.

The investment manager 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 manager may sell or underweight a security, commence active dialogue/engagement with company management (e.g., an engagement with a company on its material ESG risks or opportunities such as climate change, diversity, labor and human rights and ESG disclosure, either solely or as part of a shareholder coalition), or make adjustments to allocations.

The fund will maintain a carbon profile that follows the net zero objectives of the Paris Agreement, it will maintain a substantially lower carbon footprint, in the range of 50% than that of the benchmark and taking into account the long-term carbon reduction objectives of the Paris Agreement which may warrant a revision of the targeted range of reduction over time. Carbon footprint shall be

measured as weighted average carbon intensity, defined as tonnes of CO<sub>2</sub> per \$1million revenue.

Independent from the carbon net zero profile pursued by the fund, the fund will seek to maintain higher levels of diversity at a portfolio level than the benchmark as measured by weighted average number of women at the board level. The investment manager obtains board gender diversity data from third party vendors, which provide data on the number of women on boards at the issuer level. The investment manager collects this data for all names in its investment universe for which data is available and calculates the weighted average for the fund and the benchmark.

The investment manager seeks to identify companies it considers leaders in areas of environmental, social, and governance performance that are material to the long-term performance of the company. The investment manager's investment strategy has three main elements: 1) company identification, 2) portfolio optimisation, and 3) corporate engagement.

The investment manager utilises a quantitative and qualitative ESG research process that seeks to differentiate companies based on the contribution of their products and services in addressing global environmental or societal challenges, or their management of material environmental and social sustainability risk exposures and opportunities. Through the quantitative process, the investment manager seeks to identify companies that are performing in the top 20-40% of their peer group on environmental or social factors determined to be financially material to the company, while not falling in the bottom 20-40% in any other material environmental, social, or governance issue based on the investment manager's proprietary research. The ESG scores are determined by the investment manager, using a combination of third party and customised ESG data as a base, having regard to ESG themes such as environmental sustainability and resource efficiency, diversity, equity and inclusion, respect for human rights, product responsibility, human capital management and accountable governance and transparent operations. Companies identified also undergo a qualitative review.

Once a universe of ESG leaders is established, the investment manager then constructs the portfolio through an optimisation process that tilts the portfolio towards ESG-leading companies that have more gender diversity and lower carbon risk, while minimising factor risks relative to the benchmark.

The aforementioned ESG criteria will result in a 20% or more reduction of the investment universe in a significantly engaging manner, and the aim of the investment manager will be to ensure that at least 90% of the issuers in the portfolio are assessed against these ESG considerations. The investment universe for these purposes is defined as the constituents of the benchmark.

The investment manager shall not knowingly include the following companies in the investment universe companies:

- involved with severe ESG controversies without material remediation and improvement
- manufacturing or production of controversial weapons and civilian firearms
- manufacturing or production of tobacco
- gambling

Further to the above, the investment manager may, in its discretion, select to apply additional ESG-related investment restrictions over time that it believes are consistent with its investment objectives. Such additional restrictions can be found on the SICAV's [website](#).

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

The fund references third party ESG data and its own proprietary research data during the security research process. The investment manager may also utilize third party data in its portfolio construction process. However, in some cases data on specific issuers or the exclusions noted above may not be readily available and/or may be estimated by the investment manager using reasonable estimates.

SFDR product category Article 9.

For more information on sustainability, see the fund's sustainability annex and the "Sustainable Investing" section on page 175.

**Benchmark(s)** MSCI Europe Index, used for sustainability indicator comparison and geographic allocation indication. See the Key Information Document for information on the benchmark that is used for performance comparison. See page 175 for usage definitions.

**Fund base currency** EUR.

## Main Risks

The risks below are divided according to how frequent (but not necessarily how significant) their effect may be on the fund. These are only the main risks, not a comprehensive listing. See "Risk Descriptions" on page 167 for more information.

### Risks typically associated with ordinary conditions

- Convertible bonds
- Credit
- Currency
- Depositary receipt
- Derivatives
- Equities
- ESG/sustainability
- Eurozone
- Hedging
- Infrastructure
- Investment fund
- Management
- Market
- Real estate investment

### Risks typically associated with unusual conditions or unpredictable events

- Circumstantial liquidity
- Counterparty and collateral
- Operational and cyber
- Standard practices
- Tax change

**Risk monitoring approach** Commitment.

## Planning your Investment

**Investor profile** Investors who understand the risks of the fund and plan to invest for the medium term.

The fund may appeal to investors who:

- are looking for medium-term investment growth, through an investment with comparatively high environmental or social characteristics
- seek income whether in the form of capital appreciation or distributions
- are interested in exposure to developed equity markets, either for a core investment or for diversification
- accept the risks associated with this type of investment

**Processing requests** Requests to buy, exchange and sell shares that are received and accepted by the transfer agent by 1:00 PM CET on any dealing day are ordinarily processed the same day, at a NAV calculated using market values from that day.

Settlement occurs within 3 business days after a request has been accepted.

### Fees (%)

Main share class	Max. one-time fees		Annual fees		
	Entry	CDSC	Management	Adminis-tration	Distribution
A	5.75	—	1.00	0.19	—
B	—	4.00 <sup>1</sup>	1.00	0.19	1.00
C	3.00	1.00 <sup>2</sup>	1.35	0.19	—
F	—	—	0.40	0.19	—
I	3.00	—	0.40	0.14	—
J	—	—	0.20	0.14	—
S	—	—	0.40	0.10	—
Z	1.00	—	0.40	0.10	—

<sup>1</sup>Contingent deferred sales charge applies to shares sold within 4 years of purchase and decreases yearly by 1%. After 4 years these shares automatically convert into class A shares.

<sup>2</sup>Contingent deferred sales charge applies to shares sold within 1 year of purchase.

Hedged share classes also pay a hedging fee of maximum 0.03%. For more about fees and expenses, see "Fund Fees and Costs" on page 200. For a current and complete list of available share classes, go to [morganstanleyinvestmentfunds.com](http://morganstanleyinvestmentfunds.com).

# Calvert Sustainable Developed Markets Equity Select Fund

## Investment Objective and Policy

**Objective** To increase the value of your investment over the long term, mainly through growth of capital, while maintaining a carbon profile that is substantially lower than that of the benchmark.

**Investment policy** The fund invests at least 70% of total net assets in equities of companies whose products, services or operations address global environmental or societal challenges, such as carbon emissions reduction, environmental sustainability, resource efficiency, human capital, workplace diversity, social inclusion, product responsibility and accountable governance. These companies may be leaders in managing financially material environmental or social risks and opportunities or demonstrate an improvement in managing them. These investments are located in developed markets.

Specifically, these investments may include equity-related securities, such as American, European and global depositary receipts.

The fund may invest up to 30% of total net assets in equities not meeting the criteria of the fund's primary investments, and other types of securities, such as preference shares and convertible bonds, that meet the investment manager's ESG criteria.

Non-base currency exposure may be partially or fully hedged to the base currency of the fund.

See also "Permitted assets, techniques and transactions" on page 177.

**Derivatives and techniques** The fund may use derivatives for reducing risks (hedging) and costs, and for investment purposes.

The fund intends to use core derivatives only (see "How the Funds Use Instruments and Techniques").

*TRS usage and securities lending* None.

**Strategy** In actively managing the fund, the investment manager uses quantitative and qualitative research to identify companies with favourable ESG characteristics that appear to have above-average total return potential (top-down approach). The fund is not benchmark-constrained and its performance may deviate significantly from that of the benchmark.

**Sustainability approach** The fund utilises a quantitative and qualitative ESG research process that applies the [Calvert Principles for Responsible Investment](#) to define the investment universe while making sure that such companies do not significantly harm any environmental or social objective. The investment manager may engage company management around financially material ESG issues that it deems to have a positive impact on society or the environment.

The investment manager 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 manager may sell or underweight a security, commence active dialogue/engagement with company management (e.g., an engagement with a company on its material ESG risks or opportunities such as climate change, diversity, labor and human rights and ESG disclosure, either solely or as part of a shareholder coalition), or make adjustments to allocations.

The fund will maintain a carbon profile that follows the net zero objectives of the Paris Agreement, it will maintain a substantially lower carbon footprint, in the range of 50% than that of the benchmark and taking into account the long-term carbon reduction objectives of the Paris Agreement which may warrant a revision of the targeted range of reduction over time. Carbon footprint shall be

measured as weighted average carbon intensity, defined as tonnes of CO2 per \$1million revenue.

Independent from the carbon net zero profile pursued by the fund, the fund will seek to maintain higher levels of diversity at a portfolio level than the benchmark as measured by weighted average number of women at the board level. The investment manager obtains board gender diversity data from third party vendors, which provide data on the number of women on boards at the issuer level. The investment manager collects this data for all names in its investment universe for which data is available and calculates the weighted average for the fund and the benchmark.

The investment manager seeks to identify companies it considers leaders in areas of environmental, social, and governance performance that are material to the long-term performance of the company. The investment manager's investment strategy has three main elements: 1) company identification, 2) portfolio optimisation, and 3) corporate engagement.

The investment manager utilises a quantitative and qualitative ESG research process that seeks to differentiate companies based on the contribution of their products and services in addressing global environmental or societal challenges, or their management of material environmental and social sustainability risk exposures and opportunities. Through the quantitative process, the investment manager seeks to identify companies that are performing in the top 20-40% of their peer group on environmental or social factors determined to be financially material to the company, while not falling in the bottom 20-40% in any other material environmental, social, or governance issue based on the investment manager's proprietary research. The ESG scores are determined by the investment manager, using a combination of third party and customised ESG data as a base, having regard to ESG themes such as environmental sustainability and resource efficiency, diversity, equity and inclusion, respect for human rights, product responsibility, human capital management and accountable governance and transparent operations. Companies identified also undergo a qualitative review.

Once a universe of ESG leaders is established, the investment manager then constructs the portfolio through an optimisation process that tilts the portfolio towards ESG-leading companies that have more gender diversity and lower carbon risk, while minimising factor risks relative to the benchmark.

The aforementioned ESG criteria will result in a 20% or more reduction of the investment universe in a significantly engaging manner, and the aim of the investment manager will be to ensure that at least 90% of the issuers in the portfolio are assessed against these ESG considerations. The investment universe for these purposes is defined as the constituents of the benchmark.

The investment manager shall not knowingly include the following companies in the investment universe companies:

- involved with severe ESG controversies without material remediation and improvement
- manufacturing or production of controversial weapons and civilian firearms
- manufacturing or production of tobacco
- gambling

Further to the above, the investment manager may, in its discretion, select to apply additional ESG-related investment restrictions over time that it believes are consistent with its investment objectives. Such additional restrictions can be found on the SICAV's [website](#).

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

The fund references third party ESG data and its own proprietary research data during the security research process. The investment manager may also utilize third party data in its portfolio construction process. However, in some cases data on specific issuers or the exclusions noted above may not be readily available and/or may be estimated by the investment manager using reasonable estimates.

SFDR product category Article 9.

For more information on sustainability, see the fund's sustainability annex and the "Sustainable Investing" section on page 175.

**Benchmark(s)** MSCI World Index, used for sustainability indicator comparison and portfolio design indication. See the Key Information Document for information on the benchmark that is used for performance comparison. See page 175 for usage definitions.

**Fund base currency** USD.

## Main Risks

The risks below are divided according to how frequent (but not necessarily how significant) their effect may be on the fund. These are only the main risks, not a comprehensive listing. See "Risk Descriptions" on page 167 for more information.

### Risks typically associated with ordinary conditions

- Convertible bonds
- Credit
- Currency
- Depositary receipt
- Derivatives
- Equities
- ESG/sustainability
- Eurozone
- Hedging
- Infrastructure
- Investment fund
- Management
- Market
- Real estate investment

### Risks typically associated with unusual conditions or unpredictable events

- Circumstantial liquidity
- Counterparty and collateral
- Operational and cyber
- Standard practices
- Tax change

**Risk monitoring approach** Commitment.

## Planning your Investment

**Investor profile** Investors who understand the risks of the fund and plan to invest for the medium term.

The fund may appeal to investors who:

- are looking for medium-term investment growth, through an investment with comparatively high environmental or social characteristics
- seek income whether in the form of capital appreciation or distributions
- are interested in exposure to developed equity markets, either for a core investment or for diversification
- accept the risks associated with this type of investment

**Processing requests** Requests to buy, exchange and sell shares that are received and accepted by the transfer agent by 1:00 PM CET on any dealing day are ordinarily processed the same day, at a NAV calculated using market values from that day.

Settlement occurs within 3 business days after a request has been accepted.

### Fees (%)

Main share class	Max. one-time fees		Annual fees		
	Entry	CDSC	Management	Adminis-tration	Distribution
A	5.75	—	1.00	0.19	—
B	—	4.00 <sup>1</sup>	1.00	0.19	1.00
C	3.00	1.00 <sup>2</sup>	1.35	0.19	—
F	—	—	0.40	0.19	—
I	3.00	—	0.40	0.14	—
J	—	—	0.20	0.14	—
S	—	—	0.40	0.10	—
Z	1.00	—	0.40	0.10	—

<sup>1</sup>Contingent deferred sales charge applies to shares sold within 4 years of purchase and decreases yearly by 1%. After 4 years these shares automatically convert into class A shares.

<sup>2</sup>Contingent deferred sales charge applies to shares sold within 1 year of purchase.

Hedged share classes also pay a hedging fee of maximum 0.03%. For more about fees and expenses, see "Fund Fees and Costs" on page 200. For a current and complete list of available share classes, go to [morganstanleyinvestmentfunds.com](https://www.morganstanleyinvestmentfunds.com).

# Calvert Sustainable Diversity, Equity and Inclusion Fund

## Investment Objective and Policy

**Objective** To increase the value of your investment over the long term, mainly through growth of capital, while advancing societal goals.

**Investment policy** The fund invests at least 70% of total net assets in equities of companies that demonstrate leadership or meaningful improvement in having a diverse workforce and developing an equal and inclusive work culture. These investments may be located anywhere in the world.

Specifically, these investments may include equity-related securities, such as American, European and global depositary receipts.

The fund may invest up to 30% of total net assets in equities not meeting the criteria of the fund's primary investments, and other types of securities, such as preference shares and convertible bonds, that meet the investment manager's ESG criteria.

Non-base currency exposure may be partially or fully hedged to the base currency of the fund.

See also "Permitted assets, techniques and transactions" on page 177.

**Derivatives and techniques** The fund may use derivatives for reducing risks (hedging) and costs, and for investment purposes.

The fund intends to use core derivatives only (see "How the Funds Use Instruments and Techniques").

*TRS usage and securities lending* None.

**Strategy** In actively managing the fund, the investment manager uses quantitative and qualitative research to identify companies with favourable ESG characteristics that appear to have above-average total return potential (top-down approach). The fund is not benchmark-constrained and its performance may deviate significantly from that of the benchmark.

**Sustainability approach** The fund utilises a quantitative and qualitative ESG research process that applies the [Calvert Principles for Responsible Investment](#) to define the investment universe while making sure that such companies do not significantly harm any environmental or social objective. The investment manager may engage company management around financially material ESG issues that it deems to have a positive impact on society or the environment.

The investment manager 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 manager may sell or underweight a security, commence active dialogue/engagement with company management (e.g., an engagement with a company on its material ESG risks or opportunities such as climate change, diversity, labor and human rights and ESG disclosure, either solely or as part of a shareholder coalition), or make adjustments to allocations.

The fund will seek to maintain higher levels of workforce diversity at a portfolio level than the underlying benchmark as measured by data available in relation to the average number of women at the board level and average percentage of board members representing underrepresented ethnicities. The investment manager obtains board gender and ethnic diversity data from third party vendors, which provide data on the number of woman and members representing underrepresented ethnicities on boards at the issuer level. The investment manager collects this data for all names in its investment universe for which data is available and calculates the

average of women and members representing underrepresented ethnicities on the board for the fund and its benchmark.

The investment manager utilises an ESG research process that seeks to identify companies that exhibit leadership in having a gender balanced workforce across different levels and/or demonstrates leadership in ethnic diversity members relative to the country's demographic in certain applicable countries. In addition, a company's leadership in other dimensions of diversity among board members, specifically age, cultural background, and skill sets, are also considered. To identify companies that reflect an equal and inclusive work culture, the investment manager seeks to invest in companies that have policies and procedures that adequately support equal opportunity in the hiring process, equal pay and fair promotion among all diversity groups.

The investment manager also includes companies that are demonstrating meaningful improvement in their diversity practices, as evidenced by: 1) Increased diversity in workforce, specifically more gender balanced or more ethnically diverse; or 2) demonstrated progress after a severe controversy related to diversity and inclusion issues; or 3) resolved shareholder proposals on diversity and inclusion issues; or 4) identified as an engagement target by the investment manager on diversity and inclusion issues.

Companies are excluded from the portfolio if the investment manager determines they do not show improvement in diversity practices and they meet one of the following criteria: 1) lack diversity among their board members, specifically not gender balanced or not ethnically diverse; or 2) show significant risks associated with human capital practices; or 3) have severe controversies related to diversity and inclusion issues.

The aforementioned ESG criteria will result in a 20% or more reduction of the investment universe in a significantly engaging manner, and the aim of the investment manager will be to ensure that at least 90% of the issuers in the portfolio are assessed against these ESG considerations. The investment universe for these purposes is defined as the constituents of the benchmark.

The investment manager may engage company management around financially material ESG issues, including diversity and inclusion, that it deems will have a positive impact on society and the environment.

The investment manager shall not knowingly include the following companies in the investment universe companies:

- involved with severe ESG controversies without material remediation and improvement
- manufacturing or production of controversial weapons and civilian firearms
- manufacturing or production of tobacco
- gambling

Further to the above, the investment manager may, in its discretion, select to apply additional ESG-related investment restrictions over time that it believes are consistent with its investment objectives. Such additional restrictions can be found on the SICAV's [website](#).

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

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The fund references third party ESG data and its own proprietary research data during the security research process. The investment manager may also utilise third party data in its portfolio construction process. However, in some cases data on specific issuers or the exclusions noted above may not be readily available and/or may be estimated by the investment manager using reasonable estimates.

SFDR product category Article 9.

For more information on sustainability, see the fund's sustainability annex and the "Sustainable Investing" section on page 175.

**Benchmark(s)** MSCI World Index, used sustainability indicator comparison and portfolio design indication. See the Key Information Document for information on the benchmark that is used for performance comparison. See page 175 for usage definitions.

**Fund base currency** USD.

## Main Risks

The risks below are divided according to how frequent (but not necessarily how significant) their effect may be on the fund. These are only the main risks, not a comprehensive listing. See "Risk Descriptions" on page 167 for more information.

### Risks typically associated with ordinary conditions

- Convertible bonds
- Credit
- Currency
- Depositary receipt
- Derivatives
- Equities
- ESG/sustainability
- Eurozone
- Hedging
- Infrastructure
- Investment fund
- Management
- Market
- Real estate investment

### Risks typically associated with unusual conditions or unpredictable events

- Circumstantial liquidity
- Counterparty and collateral
- Operational and cyber
- Standard practices
- Tax change

**Risk monitoring approach** Commitment.

## Planning your Investment

**Investor profile** Investors who understand the risks of the fund and plan to invest for the medium term.

The fund may appeal to investors who:

- are looking for medium-term investment growth, through an investment with comparatively high environmental or social characteristics
- seek income whether in the form of capital appreciation or distributions
- are interested in exposure to equity markets globally, either for a core investment or for diversification
- accept the risks associated with this type of investment

**Processing requests** Requests to buy, exchange and sell shares that are received and accepted by the transfer agent by 1:00 PM CET on any dealing day are ordinarily processed the same day, at a NAV calculated using market values from that day.

Settlement occurs within 3 business days after a request has been accepted.

### Fees (%)

Main share class	Max. one-time fees		Annual fees		
	Entry	CDSC	Management	Adminis-tration	Distribution
A	5.75	—	1.25	0.19	—
B	—	4.00 <sup>1</sup>	1.25	0.19	1.00
C	3.00	1.00 <sup>2</sup>	1.65	0.19	—
F	—	—	0.50	0.19	—
I	3.00	—	0.50	0.14	—
J	—	—	0.25	0.14	—
S	—	—	0.50	0.10	—
Z	1.00	—	0.50	0.10	—

<sup>1</sup>Contingent deferred sales charge applies to shares sold within 4 years of purchase and decreases yearly by 1%. After 4 years these shares automatically convert into class A shares.

<sup>2</sup>Contingent deferred sales charge applies to shares sold within 1 year of purchase.

Hedged share classes also pay a hedging fee of maximum 0.03%. For more about fees and expenses, see "Fund Fees and Costs" on page 200. For a current and complete list of available share classes, go to [morganstanleyinvestmentfunds.com](http://morganstanleyinvestmentfunds.com).

# Calvert Sustainable Emerging Markets Equity Select Fund

## Investment Objective and Policy

**Objective** To increase the value of your investment over the long term, mainly through growth of capital, while maintaining a carbon profile that is substantially lower than that of the benchmark.

**Investment policy** The fund invests at least 70% of total net assets in equities of companies whose products, services or operations address global environmental or societal challenges, such as carbon emissions reduction, environmental sustainability, resource efficiency, human capital, workplace diversity, social inclusion, product responsibility and accountable governance. These companies demonstrate an improvement in managing material environmental or social risks and opportunities. These investments are located in emerging markets anywhere in the world.

Specifically, these investments may include equity-related securities, such as American, European and global depositary receipts.

The fund may invest up to 30% of total net assets in equities not meeting the criteria of the fund's primary investments, and other types of securities, such as preference shares and convertible bonds, that meet the investment manager's ESG criteria.

Non-base currency exposure may be partially or fully hedged to the base currency of the fund.

See also "Permitted assets, techniques and transactions" on page 177.

**Derivatives and techniques** The fund may use derivatives for reducing risks (hedging) and costs, and for investment purposes.

The fund intends to use core derivatives only (see "How the Funds Use Instruments and Techniques").

*TRS usage and securities lending* None.

**Strategy** In actively managing the fund, the investment manager uses quantitative and qualitative research to identify companies with favourable ESG characteristics that appear to have above-average total return potential (top-down approach). The fund is not benchmark-constrained and its performance may deviate significantly from that of the benchmark.

**Sustainability approach** The fund utilises a quantitative and qualitative ESG research process that applies the [Calvert Principles for Responsible Investment](#) to define the investment universe while making sure that such companies do not significantly harm any environmental or social objective. The investment manager may engage company management around financially material ESG issues that it deems to have a positive impact on society or the environment.

The investment manager 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 manager may sell or underweight a security, commence active dialogue/engagement with company management (e.g., an engagement with a company on its material ESG risks or opportunities such as climate change, diversity, labor and human rights and ESG disclosure, either solely or as part of a shareholder coalition), or make adjustments to allocations.

The fund will maintain a carbon profile that follows the net zero objectives of the Paris Agreement, it will maintain a substantially lower carbon footprint, in the range of 50% than that of the benchmark and taking into account the long-term carbon reduction objectives of the Paris Agreement which may warrant a revision of the targeted range of reduction over time. Carbon footprint shall be

measured as weighted average carbon intensity, defined as tonnes of CO<sub>2</sub> per \$1million revenue.

Independent from the carbon net zero profile pursued by the fund, the fund will seek to maintain higher levels of diversity at a portfolio level than the benchmark as measured by weighted average number of women at the board level. The investment manager obtains board gender diversity data from third party vendors, which provide data on the number of women on boards at the issuer level. The investment manager collects this data for all names in its investment universe for which data is available and calculates the weighted average for the fund and the benchmark.

The investment manager seeks to identify companies it considers leaders in areas of environmental, social, and governance performance that are material to the long-term performance of the company. The investment manager's investment strategy has three main elements: 1) company identification, 2) portfolio optimisation, and 3) corporate engagement.

The investment manager utilises a quantitative and qualitative ESG research process that seeks to differentiate companies based on the contribution of their products and services in addressing global environmental or societal challenges, or their management of material environmental and social sustainability risk exposures and opportunities. Through the quantitative process, the investment manager seeks to identify companies that are performing in the top 20-40% of their peer group on environmental or social factors determined to be financially material to the company, while not falling in the bottom 20-40% in any other material environmental, social, or governance issue based on the investment manager's proprietary research. The ESG scores are determined by the investment manager, using a combination of third party and customised ESG data as a base, having regard to ESG themes such as environmental sustainability and resource efficiency, diversity, equity and inclusion, respect for human rights, product responsibility, human capital management and accountable governance and transparent operations. Companies identified also undergo a qualitative review.

Once a universe of ESG leaders is established, the investment manager then constructs the portfolio through an optimisation process that tilts the portfolio towards ESG-leading companies that have more gender diversity and lower carbon risk, while minimising factor risks relative to the benchmark.

The aforementioned ESG criteria will result in a 20% or more reduction of the investment universe in a significantly engaging manner, and the aim of the investment manager will be to ensure that at least 90% of the issuers in the portfolio are assessed against these ESG considerations. The investment universe for these purposes is defined as the constituents of the benchmark.

The investment manager shall not knowingly include the following companies in the investment universe companies:

- involved with severe ESG controversies without material remediation and improvement
- manufacturing or production of controversial weapons and civilian firearms
- manufacturing or production of tobacco
- gambling

Further to the above, the investment manager may, in its discretion, select to apply additional ESG-related investment restrictions over time that it believes are consistent with its investment objectives. Such additional restrictions can be found on the SICAV's [website](#).

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

The fund references third party ESG data and its own proprietary research data during the security research process. The investment manager may also utilize third party data in its portfolio construction process. However, in some cases data on specific issuers or the exclusions noted above may not be readily available and/or may be estimated by the investment manager using reasonable estimates.

SFDR product category Article 9.

For more information on sustainability, see the fund's sustainability annex and the "Sustainable Investing" section on page 175.

**Benchmark(s)** MSCI Emerging Markets Index, used for sustainability indicator comparison and portfolio design indication. See the Key Information Document for information on the benchmark that is used for performance comparison. See page 175 for usage definitions.

**Fund base currency** USD.

## Main Risks

The risks below are divided according to how frequent (but not necessarily how significant) their effect may be on the fund. These are only the main risks, not a comprehensive listing. See "Risk Descriptions" on page 167 for more information.

### Risks typically associated with ordinary conditions

- Convertible bonds
- Credit
- Currency
- Depositary receipt
- Derivatives
- Emerging markets
- Equities
- ESG/sustainability
- Hedging
- Infrastructure
- Investment fund
- Management
- Market
- Real estate investment

### Risks typically associated with unusual conditions or unpredictable events

- Circumstantial liquidity
- Counterparty and collateral
- Operational and cyber
- Standard practices
- Tax change

**Risk monitoring approach** Commitment.

## Planning your Investment

**Investor profile** Investors who understand the risks of the fund and plan to invest for the medium term.

The fund may appeal to investors who:

- are looking for medium-term investment growth, through an investment with comparatively high environmental or social characteristics
- seek income whether in the form of capital appreciation or distributions
- are interested in exposure to emerging equity markets, either for a core investment or for diversification
- accept the risks associated with this type of investment

**Processing requests** Requests to buy, exchange and sell shares that are received and accepted by the transfer agent by 1:00 PM CET on any dealing day are ordinarily processed the same day, at a NAV calculated using market values from that day.

Settlement occurs within 3 business days after a request has been accepted.

### Fees (%)

Main share class	Max. one-time fees		Annual fees		
	Entry	CDSC	Management	Adminis-tration	Distribution
A	5.75	—	1.25	0.19	—
B	—	4.00 <sup>1</sup>	1.25	0.19	1.00
C	3.00	1.00 <sup>2</sup>	1.65	0.19	—
F	—	—	0.50	0.19	—
I	3.00	—	0.50	0.14	—
J	—	—	0.25	0.14	—
S	—	—	0.50	0.10	—
Z	1.00	—	0.50	0.10	—

<sup>1</sup> Contingent deferred sales charge applies to shares sold within 4 years of purchase and decreases yearly by 1%. After 4 years these shares automatically convert into class A shares.

<sup>2</sup> Contingent deferred sales charge applies to shares sold within 1 year of purchase.

Hedged share classes also pay a hedging fee of maximum 0.03%. For more about fees and expenses, see "Fund Fees and Costs" on page 200. For a current and complete list of available share classes, go to [morganstanleyinvestmentfunds.com](http://morganstanleyinvestmentfunds.com).

# Calvert Sustainable US Equity Select Fund

## Investment Objective and Policy

**Objective** To increase the value of your investment over the long term, mainly through growth of capital, while maintaining a carbon profile that is substantially lower than that of the benchmark.

**Investment policy** The fund invests at least 70% of total net assets in equities of large-capitalisation US companies whose products, services or operations address global environmental or societal challenges, such as carbon emissions reduction, environmental sustainability, resource efficiency, human capital, workplace diversity, social inclusion, product responsibility and accountable governance. These companies demonstrate an improvement in managing material environmental or social risks and opportunities.

Specifically, these investments may include equity-related securities, such as American, European and global depositary receipts.

The fund may invest up to 30% of total net assets in equities not meeting the criteria of the fund's primary investments, and other types of securities, such as preference shares and convertible bonds, that meet the investment manager's ESG criteria.

Non-base currency exposure may be partially or fully hedged to the base currency of the fund.

See also "Permitted assets, techniques and transactions" on page 177.

**Derivatives and techniques** The fund may use derivatives for reducing risks (hedging) and costs, and for investment purposes.

The fund intends to use core derivatives only (see "How the Funds Use Instruments and Techniques").

*TRS usage and securities lending* None.

**Strategy** In actively managing the fund, the investment manager uses quantitative and qualitative research to identify companies with favourable ESG characteristics that appear to have above-average total return potential (top-down approach). The fund is not benchmark-constrained and its performance may deviate significantly from that of the benchmark.

**Sustainability approach** The fund utilises a quantitative and qualitative ESG research process that applies the [Calvert Principles for Responsible Investment](#) to define the investment universe while making sure that such companies do not significantly harm any environmental or social objective. The investment manager may engage company management around financially material ESG issues that it deems to have a positive impact on society or the environment.

The investment manager 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 manager may sell or underweight a security, commence active dialogue/engagement with company management (e.g., an engagement with a company on its material ESG risks or opportunities such as climate change, diversity, labor and human rights and ESG disclosure, either solely or as part of a shareholder coalition), or make adjustments to allocations.

The fund will maintain a carbon profile that follows the net zero objectives of the Paris Agreement, it will maintain a substantially lower carbon footprint, in the range of 50% than that of the benchmark and taking into account the long-term carbon reduction objectives of the Paris Agreement which may warrant a revision of the targeted range of reduction over time. Carbon footprint shall be measured as weighted average carbon intensity, defined as tonnes of CO<sub>2</sub> per \$1million revenue.

Independent from the carbon net zero profile pursued by the fund, the fund will seek to maintain higher levels of diversity at a portfolio level than the benchmark as measured by weighted average number of women at the board level. The investment manager obtains

board gender diversity data from third party vendors, which provide data on the number of women on boards at the issuer level. The investment manager collects this data for all names in its investment universe for which data is available and calculates the weighted average for the fund and the benchmark.

The investment manager seeks to identify companies it considers leaders in areas of environmental, social, and governance performance that are material to the long-term performance of the company. The investment manager's investment strategy has three main elements: 1) company identification, 2) portfolio optimisation, and 3) corporate engagement.

The investment manager utilises a quantitative and qualitative ESG research process that seeks to differentiate companies based on the contribution of their products and services in addressing global environmental or societal challenges, or their management of material environmental and social sustainability risk exposures and opportunities. Through the quantitative process, the investment manager seeks to identify companies that are performing in the top 20-40% of their peer group on environmental or social factors determined to be financially material to the company, while not falling in the bottom 20-40% in any other material environmental, social, or governance issue based on the investment manager's proprietary research. The ESG scores are determined by the investment manager, using a combination of third party and customised ESG data as a base, having regard to ESG themes such as environmental sustainability and resource efficiency, diversity, equity and inclusion, respect for human rights, product responsibility, human capital management and accountable governance and transparent operations. Companies identified also undergo a qualitative review.

Once a universe of ESG leaders is established, the investment manager then constructs the portfolio through an optimisation process that tilts the portfolio towards ESG-leading companies that have more gender diversity and lower carbon risk, while minimising factor risks relative to the benchmark.

The aforementioned ESG criteria will result in a 20% or more reduction of the investment universe in a significantly engaging manner, and the aim of the investment manager will be to ensure that at least 90% of the issuers in the portfolio are assessed against these ESG considerations. The investment universe for these purposes is defined as the constituents of the benchmark.

The investment manager shall not knowingly include the following companies in the investment universe companies:

- involved with severe ESG controversies without material remediation and improvement
- manufacturing or production of controversial weapons and civilian firearms
- manufacturing or production of tobacco
- gambling

Further to the above, the investment manager may, in its discretion, select to apply additional ESG-related investment restrictions over time that it believes are consistent with its investment objectives. Such additional restrictions can be found on the SICAV's [website](#).

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

*Continues on next page.*



The fund references third party ESG data and its own proprietary research data during the security research process. The investment manager may also utilize third party data in its portfolio construction process. However, in some cases data on specific issuers or the exclusions noted above may not be readily available and/or may be estimated by the investment manager using reasonable estimates.

SFDR product category Article 9.

For more information on sustainability, see the fund's sustainability annex and the "Sustainable Investing" section on page 175.

**Benchmark(s)** Russell 1000 Index, used for sustainability indicator comparison and portfolio design indication. See the Key Information Document for information on the benchmark that is used for performance comparison. See page 175 for usage definitions.

**Fund base currency** USD.

## Main Risks

The risks below are divided according to how frequent (but not necessarily how significant) their effect may be on the fund. These are only the main risks, not a comprehensive listing. See "Risk Descriptions" on page 167 for more information.

### Risks typically associated with ordinary conditions

- Convertible bonds
- Credit
- Currency
- Depositary receipt
- Derivatives
- Equities
- ESG/sustainability
- Hedging
- Infrastructure
- Investment fund
- Management
- Market
- Real estate investment

### Risks typically associated with unusual conditions or unpredictable events

- Circumstantial liquidity
- Counterparty and collateral
- Operational and cyber
- Standard practices
- Tax change

**Risk monitoring approach** Commitment.

## Planning your Investment

**Investor profile** Investors who understand the risks of the fund and plan to invest for the medium term.

The fund may appeal to investors who:

- are looking for medium-term investment growth, through an investment with comparatively high environmental or social characteristics
- seek income whether in the form of capital appreciation or distributions
- are interested in exposure to developed equity markets, either for a core investment or for diversification
- accept the risks associated with this type of investment

**Processing requests** Requests to buy, exchange and sell shares that are received and accepted by the transfer agent by 1:00 PM CET on any dealing day are ordinarily processed the same day, at a NAV calculated using market values from that day.

Settlement occurs within 3 business days after a request has been accepted.

### Fees (%)

Main share class	Max. one-time fees		Annual fees		
	Entry	CDSC	Management	Adminis-tration	Distribution
A	5.75	—	1.00	0.19	—
B	—	4.00 <sup>1</sup>	1.00	0.19	1.00
C	3.00	1.00 <sup>2</sup>	1.35	0.19	—
F	—	—	0.40	0.19	—
I	3.00	—	0.40	0.14	—
J	—	—	0.20	0.14	—
S	—	—	0.40	0.10	—
Z	1.00	—	0.40	0.10	—

<sup>1</sup>Contingent deferred sales charge applies to shares sold within 4 years of purchase and decreases yearly by 1%. After 4 years these shares automatically convert into class A shares.

<sup>2</sup>Contingent deferred sales charge applies to shares sold within 1 year of purchase.

Hedged share classes also pay a hedging fee of maximum 0.03%. For more about fees and expenses, see "Fund Fees and Costs" on page 200. For a current and complete list of available share classes, go to [morganstanleyinvestmentfunds.com](http://morganstanleyinvestmentfunds.com).

# Calvert US Equity Fund

## Investment Objective and Policy

**Objective** To increase the value of your investment over the long term, mainly through growth of capital.

**Investment policy** The fund invests at least 70% of total net assets in equities of large capitalisation companies located in the US.

Specifically, these investments include only common stocks and companies whose market capitalisation is typically above USD 10 billion.

The fund may invest up to 30% of total net assets in equities not meeting the criteria of the fund's primary investments, and other types of securities, such as equity-related securities and eligible closed-end real estate investment trusts (REITs), that meet the investment manager's ESG criteria.

Non-base currency exposure may be partially or fully hedged to the base currency of the fund.

See also "Permitted assets, techniques and transactions" on page 177.

**Derivatives and techniques** The fund may use derivatives for reducing risks (hedging) and costs, and for investment purposes.

The fund intends to use core derivatives only (see "How the Funds Use Instruments and Techniques").

*TRS usage and securities lending* None.

**Strategy** In actively managing the fund, the fund will invest in companies that, in the opinion of the investment manager, exhibit, through their operations and business practices, sound management of ESG characteristics. These characteristics include environmental sustainability, resource efficiency, support for equitable societies, respect for human rights, accountable governance, and transparent operations. The investment manager seeks to invest in a portfolio of high quality companies, determined by analysis of a company's financial statements and measured by a company's demonstrated ability to consistently grow earnings over the long-term. The investment manager considers high quality companies as those that typically have strong balance sheets, durable cash flow, enduring competitive advantages, long product cycles, and stable demand over a business cycle, among other characteristics. The investment manager may consider financial quality rankings provided by recognised rating services in their analysis. Through investment in high quality companies, the investment manager seeks to build a portfolio that may participate in rising markets while minimising participation in declining markets. The fund is not benchmark-constrained and its performance may deviate significantly from that of the benchmark.

**Sustainability approach** The fund will invest in companies that, in the opinion of the investment manager, exhibit, through their operations and business practices, sound management of ESG characteristics. These characteristics include environmental sustainability, resource efficiency, support for equitable societies, respect for human rights, accountable governance, and transparent operations. In identifying issuers which exhibit sound management of ESG characteristics, the fund utilises a quantitative and qualitative ESG research process that applies the [Calvert Principles for Responsible Investment](#) to the entire investment universe. Through this process, companies are assessed for their management of ESG risks and opportunities and deemed either eligible or ineligible for investment according to the Calvert Principles. Each company is evaluated relative to an appropriate peer group based on material ESG factors. The investment manager and Calvert also seek to engage company management on financially material ESG issues identified through fundamental and ESG research processes. Engagement may seek to drive positive change, to improve the sustainability of each company, and/or to enhance long-term value creation.

The investment manager 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 manager may sell or underweight a security, commence active dialogue/engagement with company management (e.g., an engagement with a company on its material ESG risks or opportunities such as climate change, diversity, labor and human rights and ESG disclosure), either solely or as part of a shareholder coalition, or make adjustments to allocations.

Investments that are held by the fund but subsequently become ineligible to be held by the fund after they are acquired due to the application of the ESG criteria above will be sold. Such sales will take place over a reasonable time period to be determined by the investment manager, taking into account the best interests of the shareholders of the fund.

The fund references third party ESG data and its own proprietary research data during the security research process. The investment manager may also utilise third party data in its portfolio construction process. However, in some cases data on specific issuers may not be readily available and/or may be estimated by the investment manager using reasonable estimates.

In relation to this fund, the use of "Calvert" in the name refers to Calvert Research and Management ("Calvert"), an indirect, wholly owned subsidiary of Morgan Stanley, whose role in relation to this fund is limited to the provision of non-discretionary investment advice to the investment manager to assist the investment manager in its management of the fund. Calvert has no discretion to make or recommend portfolio allocation or construction decisions on behalf of the fund, such investment discretion being vested solely in the investment manager.

*SFDR product category* Article 8.

For more information on sustainability, see the fund's sustainability annex and the "Sustainable Investing" section on page 175.

**Benchmark(s)** See the Key Information Document for information on the benchmark that is used for performance comparison.

**Fund base currency** USD.

## Main Risks

The risks below are divided according to how frequent (but not necessarily how significant) their effect may be on the fund. These are only the main risks, not a comprehensive listing. See "Risk Descriptions" on page 167 for more information.

### Risks typically associated with ordinary conditions

- Derivatives
- Equities
- ESG/sustainability
- Hedging
- Investment fund
- Management
- Market
- Real estate investment

### Risks typically associated with unusual conditions or unpredictable events

- Circumstantial liquidity
- Counterparty and collateral
- Operational and cyber
- Standard practices
- Tax change

**Risk monitoring approach** Commitment.

*Continues on next page.*

## Planning your Investment

**Investor profile** Investors who understand the risks of the fund and plan to invest for the medium term.

The fund may appeal to investors who:

- are looking for medium-term investment growth
- seek income whether in the form of capital appreciation or distributions
- are interested in exposure to developed equity markets, either for a core investment or for diversification
- accept the risks associated with this type of investment

**Processing requests** Requests to buy, exchange and sell shares that are received and accepted by the transfer agent by 1:00 PM CET on any dealing day are ordinarily processed the same day, at a NAV calculated using market values from that day.

Settlement occurs within 3 business days after a request has been accepted.

### Fees (%)

Main share class	Max. one-time fees		Annual fees		
	Entry	CDSC	Management	Adminis-tration	Distribution
A	5.75	—	1.65	0.19	—
B	—	4.00 <sup>1</sup>	1.65	0.19	1.00
C	3.00	1.00 <sup>2</sup>	2.15	0.19	—
F	—	—	0.65	0.19	—
I	3.00	—	0.65	0.14	—
J	—	—	0.35	0.14	—
S	—	—	0.65	0.10	—
Z	1.00	—	0.65	0.10	—

<sup>1</sup> Contingent deferred sales charge applies to shares sold within 4 years of purchase and decreases yearly by 1%. After 4 years these shares automatically convert into class A shares.

<sup>2</sup> Contingent deferred sales charge applies to shares sold within 1 year of purchase.

Hedged share classes also pay a hedging fee of maximum 0.03%. For more about fees and expenses, see "Fund Fees and Costs" on page 200. For a current and complete list of available share classes, go to [morganstanleyinvestmentfunds.com](http://morganstanleyinvestmentfunds.com).

# China A-Shares Fund

## Investment Objective and Policy

**Objective** To increase the value of your investment over the long term, mainly through growth of capital.

**Investment policy** The fund invests at least 70% of total net assets in equities of companies listed in Mainland China.

Specifically, these investments may include China A-shares (through Stock Connect), equities of issuers of other countries, such as those listed on the Hong Kong Exchange (including China H shares and red chips), and equity-related securities, such as American and global depositary receipts, of issuers located in any country and referring to China companies.

The fund may invest up to 30% of total net assets in equities not meeting the criteria of the fund's primary investments, and other types of securities, such as preference shares and convertible bonds.

Non-base currency exposure may be partially or fully hedged to the base currency of the fund.

See also "Permitted assets, techniques and transactions" on page 177.

**Derivatives and techniques** The fund may use derivatives for reducing risks (hedging) and costs, and for investment purposes.

In addition to core derivatives (see "How the Funds Use Instruments and Techniques"), the fund may use total return swaps (TRSs).

*TRS usage* 0% of total net assets expected, 15% maximum.

*Securities lending* 0% of total net assets expected, 33% maximum.

**Strategy** In actively managing the fund, the investment manager combines macroeconomic, market and fundamental analysis to identify companies that appear to have attractive valuations or above-average growth potential (top-down and bottom-up approach). The fund is not benchmark-constrained and its performance may deviate significantly from that of the benchmark.

In making investment decisions, the investment manager does not consider the EU criteria for environmentally sustainable economic activities for the purpose of the Taxonomy Regulation.

*SFDR product category* Article 6.

**Benchmark(s)** See the Key Information Document for information on the benchmark that is used for performance comparison. See page 175 for usage definitions.

**Fund base currency** USD.

## Main Risks

The risks below are divided according to how frequent (but not necessarily how significant) their effect may be on the fund. These are only the main risks, not a comprehensive listing. See "Risk Descriptions" on page 167 for more information.

### Risks typically associated with ordinary conditions

- Convertible bonds
- Country risk — China
- Credit
- Currency

- Depositary receipt
- Derivatives
- Emerging markets
- Equities
- ESG/sustainability
- Hedging
- Investment fund
- Management
- Market

### Risks typically associated with unusual conditions or unpredictable events

- Circumstantial liquidity
- Counterparty and collateral, incl. securities techniques
- Operational and cyber
- Standard practices
- Tax change

**Risk monitoring approach** Commitment.

## Planning your Investment

**Investor profile** Investors who understand the risks of the fund and plan to invest for the long term.

The fund may appeal to investors who:

- are looking for long-term investment growth
- seek income whether in the form of capital appreciation or distributions
- are interested in exposure to emerging equity markets, either for a core investment or for diversification
- accept the risks associated with this type of investment

**Processing requests** Requests to buy, exchange and sell shares that are received and accepted by the transfer agent by 1:00 PM CET on any dealing day are ordinarily processed the same day, at a NAV calculated using market values from that day.

Settlement occurs within 3 business days after a request has been accepted.

### Fees (%)

Main share class	Max. one-time fees		Annual fees			
	Entry	CDSC	Management	Administration	Distribution	Max. emerging mkt custody
A	5.75	—	1.70	0.19	—	0.10
B	—	4.00 <sup>1</sup>	1.70	0.19	1.00	0.10
C	3.00	1.00 <sup>2</sup>	2.40	0.19	—	0.10
F	—	—	0.70	0.19	—	0.10
I	3.00	—	0.70	0.14	—	0.10
J	—	—	0.55	0.14	—	0.10
S	—	—	0.70	0.10	—	0.10
Z	1.00	—	0.70	0.10	—	0.10

<sup>1</sup>Contingent deferred sales charge applies to shares sold within 4 years of purchase and decreases yearly by 1%. After 4 years these shares automatically convert into class A shares.

<sup>2</sup>Contingent deferred sales charge applies to shares sold within 1 year of purchase.

Hedged share classes also pay a hedging fee of maximum 0.03%. For more about fees and expenses, see "Fund Fees and Costs" on page 200. For a current and complete list of available share classes, go to [morganstanleyinvestmentfunds.com](http://morganstanleyinvestmentfunds.com).

# Counterpoint Global Fund

## Investment Objective and Policy

**Objective** To seek long-term capital appreciation (measured in USD).

**Investment policy** The fund primarily invests (at least 70% of total net assets) in equity securities, including depositary receipts (including ADRs and GDRs), of established and emerging companies located throughout the world, with capitalisations within the range of companies included in the MSCI All Country World Index.

The fund may also invest, on an ancillary basis (up to 30% of total net assets), in debt securities convertible into common shares, preference shares, China A-shares (through Stock Connect), warrants on securities, cash equivalents and other equity linked securities. The fund will not invest more than 15% of its net asset value in China A-shares (through Stock Connect). The fund may invest to a limited extent (up to 10% of total net assets) in units/shares of other collective investment schemes, including the SICAV's funds and open-ended ETFs, which are eligible investments for UCITS under the 2010 Law, and in shares of special purpose acquisition companies (SPACs).

See also "Permitted assets, techniques and transactions" on page 177.

**Derivatives and techniques** The fund may use derivatives for reducing risks (hedging) and costs, and for investment purposes.

The fund intends to use core derivatives only (see "How the Funds Use Instruments and Techniques").

*TRS usage* None.

*Securities lending* 9% of total net assets expected, 33% maximum.

**Strategy** The investment team has a long track record in the management of different investment strategies. The portfolio managers within the team will collaborate on an ongoing basis and will allocate and rebalance the fund's assets across each manager's underlying and independently managed investment strategies on an opportunistic basis given current market conditions. The fund may invest outside of these underlying and independently managed investment strategies to the extent such investments fit within the permissible investment universe of the fund. The investment team emphasises a bottom-up stock selection process, seeking attractive investments on an individual company basis. In selecting securities for investment, the investment manager typically invests in companies it believes have strong name recognition and sustainable competitive advantages with above average business visibility, the ability to deploy capital at high rates of return, strong balance sheets and an attractive risk/reward. The fund is actively managed, not designed to track a benchmark, and therefore not constrained by the composition of the MSCI All Country World Index. The fund references the benchmark for the purpose of setting the capitalisation range of issuers the fund will invest in.

**Sustainability approach** The investment manager actively integrates sustainability into the investment process by using ESG factors as a lens for additional fundamental research, which can contribute to investment decision-making. The investment manager seeks to understand how environmental and social initiatives within companies can create value by strengthening durable competitive advantages, creating growth opportunities, driving profitability, and/or aligning with secular growth trends. The investment manager generally engages with companies to discuss their ESG practices, with the aim of identifying how sustainability themes present opportunities and risks that can be material to the value of the security over the long-term. Other aspects of the investment process include a proprietary, systematic evaluation of governance policies, specifically focusing on compensation alignment on long-term value creation.

Specifically, investments shall not knowingly include any company whose primary business activity involves the following:

- tobacco

- coal
- weapons, comprising civilian firearms, cluster munitions and anti-personnel mines

Further to the above, the investment manager may, in its discretion, select to apply additional ESG-related investment restrictions over time that it believes are consistent with its investment objectives. The details of exclusions can be found in the fund's exclusion policy which is available on the SICAV's [website](#). Investments that are held by the fund but become restricted after they are acquired due to the application of the ESG criteria will be sold. Such sales will take place over a time period to be determined by the investment manager, taking into account the best interests of the shareholders of the fund. *SFDR product category* Article 8.

For more information on sustainability, see the fund's sustainability annex and the "Sustainable Investing" section on page 175.

**Benchmark(s)** MSCI All Country World Index, used for portfolio design indication. See the Key Information Document for information on the benchmark that is used for performance comparison. See page 175 for usage definitions.

**Fund base currency** USD.

## Main Risks

The risks below are divided according to how frequent (but not necessarily how significant) their effect may be on the fund. These are only the main risks, not a comprehensive listing. See "Risk Descriptions" on page 167 for more information.

### Risks typically associated with ordinary conditions

- Convertible bonds
- Country risk — China
- Credit
- Currency
- Depositary receipt
- Derivatives
- Emerging markets
- Equities
- ESG/sustainability
- Eurozone
- Hedging
- Investment fund
- Management
- Market
- SPAC

### Risks typically associated with unusual conditions or unpredictable events

- Circumstantial liquidity
- Counterparty and collateral, incl. securities techniques
- Operational and cyber
- Standard practices
- Tax change

**Risk monitoring approach** Commitment.

## Planning your Investment

**Investor profile** Investors who understand the risks of the fund and plan to invest for the long term.

The fund may appeal to investors who:

- seek to invest in equities
- seek capital appreciation over the long term
- seek income whether in the form of capital appreciation or distributions
- accept the risks associated with this type of investment

**Processing requests** Requests to buy, exchange and sell shares that are received and accepted by the transfer agent by 1:00 PM CET on any dealing day are ordinarily processed the same day, at a NAV calculated using market values from that day.

Settlement occurs within 3 business days after a request has been accepted.

*Continues on next page.*

**Fees (%)**

Main share class	Max. one-time fees		Annual fees		
	Entry	CDSC	Management	Adminis- tration	Distribution
A	5.75	—	1.60	0.19	—
B	—	4.00 <sup>1</sup>	1.60	0.19	1.00
C	3.00	1.00 <sup>2</sup>	2.40	0.19	—
F	—	—	0.80	0.19	—
I	3.00	—	0.80	0.14	—
J	—	—	0.60	0.14	—
S	—	—	0.80	0.10	—
Z	1.00	—	0.80	0.10	—

<sup>1</sup>Contingent deferred sales charge applies to shares sold within 4 years of purchase and decreases yearly by 1%. After 4 years these shares automatically convert into class A shares.

<sup>2</sup>Contingent deferred sales charge applies to shares sold within 1 year of purchase.

Hedged share classes also pay a hedging fee of maximum 0.03%. For more about fees and expenses, see "Fund Fees and Costs" on page 200. For a current and complete list of available share classes, go to [morganstanleyinvestmentfunds.com](http://morganstanleyinvestmentfunds.com).

# Developing Opportunity Fund

## Investment Objective and Policy

**Objective** To seek long term appreciation (measured in USD).

**Investment policy** The fund primarily invests (at least 70% of total net assets) in equity securities of issuers located in developing markets, including depositary receipts (including American Depositary Receipts (ADRs), Global Depositary Receipts (GDRs)) and China A-shares (through Stock Connect).

A country may be considered a developing, emerging or frontier emerging market based on classification in the MSCI Emerging Markets Net Index or similar classification as a developing economy by an organisation such as the International Monetary Fund, the United Nations, or the World Bank. For the purpose of this fund, "developing markets", "developing market countries", "emerging markets", "emerging market countries", "frontier emerging markets" and "frontier emerging market countries" and similar terms are used interchangeably but refer to the same underlying markets and countries.

The fund may also invest, on an ancillary basis (up to 30% of total net assets), 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 (up to 10% of total net assets) in units/shares of other collective investment schemes, including the SICAV's funds and open-ended ETFs which are eligible investments for UCITS under the 2010 Law, and in shares of special purpose acquisition companies (SPACs).

See also "Permitted assets, techniques and transactions" on page 177.

**Derivatives and techniques** The fund may use derivatives for reducing risks (hedging) and costs, and for investment purposes.

The fund intends to use core derivatives only (see "How the Funds Use Instruments and Techniques").

*TRS usage* None.

*Securities lending* 0% of total net assets expected, 33% maximum.

**Strategy** The investment manager emphasises a bottom-up stock selection process, seeking attractive investments on an individual company basis. In selecting securities for investment, the investment manager seeks high quality companies that the investment manager believes are undervalued at the time of purchase. The investment manager 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 manager generally considers selling a portfolio holding when it determines that the holding no longer satisfies its investment criteria. The fund is not benchmark-constrained and its performance may deviate significantly from that of the benchmark.

**Sustainability approach** The investment manager employs a holistic approach to ESG within its company quality assessment by analysing potential impacts to humanity's health, environment, liberty and productivity and corporate governance measures to ensure agency, culture and trust. The investment manager 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 manager believes that ESG risks are more likely to materialise and externalities not borne by the investee 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 manager typically engages company management in constructive discussions on a range of ESG issues the investment manager deems materially important.

Specifically, investments shall not knowingly include any company whose primary business activity involves the following:

- tobacco
- coal
- weapons, comprising civilian firearms, cluster munitions and anti-personnel mines

Further to the above, the investment manager may, in its discretion, select to apply additional ESG-related investment restrictions over time that it believes are consistent with its investment objectives. The details of exclusions can be found in the fund's exclusion policy which is available on the SICAV's [website](#). Investments that are held by the fund but become restricted after they are acquired due to the application of the ESG criteria will be sold. Such sales will take place over a time period to be determined by the investment manager, taking into account the best interests of the shareholders of the fund.

*SFDR product category* Article 8.

For more information on sustainability, see the fund's sustainability annex and the "Sustainable Investing" section on page 175.

**Benchmark(s)** MSCI Emerging Markets Net Index, used for geographic allocation indication. See the Key Information Document for information on the benchmark that is used for performance comparison. See page 175 for usage definitions.

**Fund base currency** USD.

## Main Risks

The risks below are divided according to how frequent (but not necessarily how significant) their effect may be on the fund. These are only the main risks, not a comprehensive listing. See "Risk Descriptions" on page 167 for more information.

### Risks typically associated with ordinary conditions

- Convertible bonds
- Country risk — China
- Credit
- Currency
- Depositary receipt
- Derivatives
- Emerging markets
- Equities
- ESG/sustainability
- Hedging
- Investment fund
- Management
- Market
- SPAC

### Risks typically associated with unusual conditions or unpredictable events

- Circumstantial liquidity
- Counterparty and collateral, incl. securities techniques
- Operational and cyber
- Standard practices
- Tax change

**Risk monitoring approach** Commitment.

## Planning your Investment

**Investor profile** Investors who understand the risks of the fund and plan to invest for the long term.

The fund may appeal to investors who:

- seek to invest in equities
- seek capital appreciation over the long term
- seek income whether in the form of capital appreciation or distributions
- accept the risks associated with this type of investment

**Processing requests** Requests to buy, exchange and sell shares that are received and accepted by the transfer agent by 1:00 PM CET on any dealing day are ordinarily processed the same day, at a NAV calculated using market values from that day.

Settlement occurs within 3 business days after a request has been accepted.

*Continues on next page.*

**Fees (%)**

Main share class	Max. one-time fees		Annual fees			
	Entry	CDSC	Management	Administration	Distribution	Max. emerging mkt custody
A	5.75	—	2.00	0.19	—	0.05
B	—	4.00 <sup>1</sup>	2.00	0.19	1.00	0.05
C	3.00	1.00 <sup>2</sup>	2.65	0.19	—	0.05
F	—	—	0.80	0.19	—	0.05
I	3.00	—	0.80	0.14	—	0.05
J	—	—	0.60	0.14	—	0.05
S	—	—	0.80	0.10	—	0.05
Z	1.00	—	0.80	0.10	—	0.05

<sup>1</sup>Contingent deferred sales charge applies to shares sold within 4 years of purchase and decreases yearly by 1%. After 4 years these shares automatically convert into class A shares.

<sup>2</sup>Contingent deferred sales charge applies to shares sold within 1 year of purchase.

Hedged share classes also pay a hedging fee of maximum 0.03%. For more about fees and expenses, see "Fund Fees and Costs" on page 200. For a current and complete list of available share classes, go to [morganstanleyinvestmentfunds.com](http://morganstanleyinvestmentfunds.com).



# Emerging Leaders Equity Fund

## Investment Objective and Policy

**Objective** To increase the value of your investment over the long term, mainly through growth of capital.

**Investment policy** The fund invests at least 70% of total net assets in equities of emerging or frontier market companies (frontier markets are less developed than emerging markets).

Specifically, these investments are in companies located, or that do significant business, in emerging or frontier market countries. These investments may include China A-shares (through Stock Connect) and equity-related securities, such as American and global depositary receipts, as well as securities from corporate issuers in developed market countries that, at time of purchase, derive at least 35% of earnings or profit from, are primarily traded in, or are linked to conditions in, emerging and frontier market countries. Emerging and frontier countries may be determined by the MSCI Emerging Markets Net Index or any similar classification from an international organisation, such as the IMF, the UN and the World Bank.

The fund may invest up to 30% of total net assets in equities not meeting the criteria of the fund's primary investments, and other types of securities, such as preference shares and convertible bonds.

The fund may invest in, or be exposed to, the following, up to the percentage of total net assets indicated:

- participatory notes: 45% (in this case, percentage of gross assets after deducting cash equivalents)
- China A-shares (through Stock Connect): 20%

Non-base currency exposure may be partially or fully hedged to the base currency of the fund.

See also "Permitted assets, techniques and transactions" on page 177.

**Derivatives and techniques** The fund may use derivatives for reducing risks (hedging) and costs only.

In addition to core derivatives (see "How the Funds Use Instruments and Techniques"), the fund may use total return swaps (TRSs).

*TRS usage* 0% of total net assets expected, 15% maximum.

*Securities lending* 0% of total net assets expected, 33% maximum.

**Strategy** In actively managing the fund, the investment manager first identifies drivers of growth across emerging markets. It then uses fundamental analysis to build a concentrated portfolio of companies that appear to be best positioned to benefit from these market opportunities (top-down and growth-oriented bottom-up approach). The fund is not benchmark-constrained and its performance may deviate significantly from that of the benchmark.

**Sustainability approach** The investment manager 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 manager 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 manager 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 manager may utilise a combination of information sources, including company-disclosed information, non-company disclosed information, and third party research and data.

The investment manager integrates the consideration of ESG issues in its investment decision-making. The fund seeks to achieve a lower carbon footprint than the MSCI Emerging Markets Net Index.

The investment manager 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 a best effort approach to its investment selection in this regard. The aim of the investment manager 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 manager 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 and safety, product safety, data privacy and security, executive remuneration, board independence and shareholder rights. The investment manager focuses on engaging company management on what it deems to be materially important governance, environmental and/or social issues facing a company. The application of the above ESG criteria should result in a 20% or more reduction of the investible universe.

Investments shall not knowingly include any company whose revenue is equal or superior to the following percentages:

- fossil fuels (10%)
- mining and extraction of thermal coal, or coal-fired power (10%)
- oil and gas extraction or production in the Arctic region, including the Arctic National Wildlife Refuge (ANWR) (5%)
- extraction or production of oil sands (5%)
- manufacture, supplying or retailing of tobacco products, including the supply of key components such as filters (5%)
- adult entertainment (0%) and gambling activities (5%)
- civilian firearms and controversial weapons (0%)

Further to the above, the investment manager may, in its discretion, select to apply additional ESG-related investment restrictions over time that it believes are consistent with its investment objectives. The details of exclusions can be found in the fund's exclusion policy which is available on the SICAV's [website](#). The exclusions are determined by the investment manager'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 investment 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 manager 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 due to the application of the ESG criteria will be sold. Such sales will take place over a time period to be determined by the investment manager, 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 manager 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 manager using reasonable estimates or third party data.

*SFDR product category* Article 8.

*Continues on next page.*

For more information on sustainability, see the fund's sustainability annex and the "Sustainable Investing" section on page 175.

**Benchmark(s)** MSCI Emerging Markets Net Index, used for sustainability indicator comparison, performance comparison, and geographic allocation indication. See page 175 for usage definitions.

**Fund base currency** USD.

## Main Risks

The risks below are divided according to how frequent (but not necessarily how significant) their effect may be on the fund. These are only the main risks, not a comprehensive listing. See "Risk Descriptions" on page 167 for more information.

### Risks typically associated with ordinary conditions

- Concentration
- Convertible bonds
- Country risk — China
- Country risk — India
- Credit
- Currency
- Depositary receipt
- Derivatives
- Emerging markets
- Equities
- ESG/sustainability
- Hedging
- Investment fund
- Management
- Market

### Risks typically associated with unusual conditions or unpredictable events

- Circumstantial liquidity
- Counterparty and collateral, incl. securities techniques
- Operational and cyber
- Standard practices
- Tax change

**Risk monitoring approach** Commitment.

## Planning your Investment

**Investor profile** Investors who understand the risks of the fund and plan to invest for the medium term.

The fund may appeal to investors who:

- are looking for medium-term investment growth
- seek income whether in the form of capital appreciation or distributions
- are interested in exposure to emerging equity markets globally, either for a core investment or for diversification
- accept the risks associated with this type of investment

**Processing requests** Requests to buy, exchange and sell shares that are received and accepted by the transfer agent by 1:00 PM CET on any dealing day are ordinarily processed the same day, at a NAV calculated using market values from that day.

Settlement occurs within 3 business days after a request has been accepted.

### Fees (%)

Main share class	Max. one-time fees		Annual fees			
	Entry	CDSC	Management	Administration	Distribution	Max. emerging mkt custody
A	5.75	—	1.90	0.19	—	0.05
B	—	4.00 <sup>1</sup>	1.90	0.19	1.00	0.05
C	3.00	1.00 <sup>2</sup>	2.60	0.19	—	0.05
F	—	—	0.75	0.19	—	0.05
I	3.00	—	0.75	0.14	—	0.05
J	—	—	—	0.14	—	0.05
S	—	—	0.75	0.10	—	0.05
Z	1.00	—	0.75	0.10	—	0.05

*Contingent deferred sales charge applies to shares sold within 4 years of purchase and decreases yearly by 1%. After 4 years these shares automatically convert into class A shares.*

<sup>2</sup> *Contingent deferred sales charge applies to shares sold within 1 year of purchase.*

*Hedged share classes also pay a hedging fee of maximum 0.03%. For more about fees and expenses, see "Fund Fees and Costs" on page 200. For a current and complete list of available share classes, go to [morganstanleyinvestmentfunds.com](http://morganstanleyinvestmentfunds.com).*

# Europe Opportunity Fund

## Investment Objective and Policy

**Objective** To seek long-term capital appreciation (measured in EUR).

**Investment policy** The fund primarily invests (at least 70% of total net assets) in equity securities of issuers located in Europe, including depository receipts (American Depository Receipts (ADRs), Global Depository Receipts (GDRs) and European Depository Receipts (EDRs)).

The fund may also invest, on an ancillary basis (up to 30% of total net assets), 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 (up to 10% of total net assets) in units/shares of other collective investment schemes, including the SICAV's funds and open-ended ETFs, which are eligible investments for UCITS under the 2010 Law, and in shares of special purpose acquisition companies (SPACs).

See also "Permitted assets, techniques and transactions" on page 177.

**Derivatives and techniques** The fund may use derivatives for reducing risks (hedging) and costs, and for investment purposes.

In addition to core derivatives (see "How the Funds Use Instruments and Techniques"), the fund may use total return swaps (TRSs).

**TRS usage** 0% of total net assets expected, 25% maximum.  
**Securities lending** None.

**Strategy** The investment manager emphasises a bottom-up stock selection process, seeking attractive investments on an individual company basis. In selecting securities for investment, the investment manager seeks high quality established and emerging companies that the investment manager believes are undervalued at the time of purchase. The investment manager 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 manager generally considers selling a portfolio holding when it determines that the holding no longer satisfies its investment criteria. 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.

**Sustainability approach** The investment manager employs a holistic approach to ESG within its company quality assessment by analysing potential impacts to humanity's health, environment, liberty and productivity, and corporate governance measures to ensure agency, culture and trust. The investment manager 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 manager believes that ESG risks are more likely to materialise 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 manager typically engages company management in constructive discussions on a range of ESG issues the investment manager deems materially important.

Specifically, investments shall not knowingly include any company whose primary business activity involves the following:

- tobacco
- coal
- weapons, comprising civilian firearms, cluster munitions and anti-personnel mines

Further to the above, the investment manager may, in its discretion, select to apply additional ESG-related investment restrictions over time that it believes are consistent with its investment objectives. The details of exclusions can be found in the fund's exclusion policy which is available on the SICAV's [website](#). Investments that are held by the fund but become restricted after they are acquired due to the application of the ESG criteria will be sold. Such sales will take place

over a time period to be determined by the investment manager, taking into account the best interests of the shareholders of the fund. *SFDR product category* Article 8.

For more information on sustainability, see the fund's sustainability annex and the "Sustainable Investing" section on page 175.

**Benchmark(s)** See the Key Information Document for information on the benchmark that is used for performance comparison. See page 175 for usage definitions.

**Fund base currency** EUR.

## Main Risks

The risks below are divided according to how frequent (but not necessarily how significant) their effect may be on the fund. These are only the main risks, not a comprehensive listing. See "Risk Descriptions" on page 167 for more information.

### Risks typically associated with ordinary conditions

- Convertible bonds
- Credit
- Currency
- Depository receipt
- Derivatives
- Emerging markets
- Equities
- ESG/sustainability
- Eurozone
- Hedging
- Investment fund
- Management
- Market
- SPAC

### Risks typically associated with unusual conditions or unpredictable events

- Circumstantial liquidity
- Counterparty and collateral
- Operational and cyber
- Standard practices
- Tax change

**Risk monitoring approach** Commitment.

## Planning your Investment

**Investor profile** Investors who understand the risks of the fund and plan to invest for the long term.

The fund may appeal to investors who:

- seek to invest in equities
- seek capital appreciation over the long term
- seek income whether in the form of capital appreciation or distributions
- accept the risks associated with this type of investment

**Processing requests** Requests to buy, exchange and sell shares that are received and accepted by the transfer agent by 1:00 PM CET on any dealing day are ordinarily processed the same day, at a NAV calculated using market values from that day.

Settlement occurs within 3 business days after a request has been accepted.

## Fees (%)

Main share class	Max. one-time fees		Annual fees		
	Entry	CDSC	Management	Admin- tration	Distribution
A	5.75	—	1.50	0.19	—
B	—	4.00 <sup>1</sup>	1.50	0.19	1.00
C	3.00	1.00 <sup>2</sup>	2.20	0.19	—
F	—	—	0.75	0.19	—
I	3.00	—	0.75	0.14	—
J	—	—	0.40	0.14	—
S	—	—	0.75	0.10	—
Z	1.00	—	0.75	0.10	—

<sup>1</sup> Contingent deferred sales charge applies to shares sold within 4 years of purchase and decreases yearly by 1%. After 4 years these shares automatically convert into class A shares.

<sup>2</sup> Contingent deferred sales charge applies to shares sold within 1 year of purchase.

Hedged share classes also pay a hedging fee of maximum 0.03%. For more about fees and expenses, see "Fund Fees and Costs" on page 200. For a current and complete list of available share classes, go to [morganstanleyinvestmentfunds.com](http://morganstanleyinvestmentfunds.com).

# European Property Fund

## Investment Objective and Policy

**Objective** To increase the value of your investment over the long term, mainly through growth of capital.

**Investment policy** The fund invests, directly or indirectly through funds, at least 70% of total net assets in equities of companies in the real estate industry, or closely related to this industry. These investments are located in Europe.

Specifically, these investments may include property-related collective investment vehicles, such as publicly quoted property unit trusts and eligible closed-end real estate investment trusts (REITs).

The fund may invest up to 30% of total net assets in equities not meeting the criteria of the fund's primary investments, and other types of securities, such as preference shares and convertible bonds.

Non-base currency exposure may be partially or fully hedged to the base currency of the fund.

See also "Permitted assets, techniques and transactions" on page 177.

**Derivatives and techniques** The fund may use derivatives for reducing risks (hedging) and costs only.

The fund intends to use core derivatives only (see "How the Funds Use Instruments and Techniques").

**TRS usage** None.

**Securities lending** 7% of total net assets expected, 33% maximum.

**Strategy** In actively managing the fund, the investment manager uses fundamental analysis to identify companies whose securities may offer the best value relative to their underlying assets and earnings or have above-average growth potential (bottom-up approach). The investment manager also considers forecasted fundamental inflections and macroeconomic, geopolitical and country risk factors to achieve geographical and sectoral diversification at the portfolio level (top-down approach). The fund is not benchmark-constrained and its performance may deviate significantly from that of the benchmark.

**Sustainability approach** The investment manager actively integrates sustainability into the investment process by assessing key ESG risks and opportunities in the bottom-up stock selection process primarily by leveraging third party ESG providers to assess and quantify ESG performance for issuers, supplementing third party research with proprietary research conducted by the investment manager including utilising a framework for assessing and quantifying risks and opportunities related to ESG which results in a quantitative adjustment to valuation estimates, and through engagements with company management to discuss ESG-related strengths, weaknesses, and opportunities in an effort to effect positive change within the industry. Key ESG topics may include, but are not limited to: energy usage and renewables, water usage, emissions, diversity and gender equality, labour and human rights, employee and tenant health, wellness and safety and company ESG governance and disclosure.

In an effort to drive positive change and encourage companies to improve their performance on material ESG issues, the investment manager may approach company management with competitive insights, financially sound business cases and practical solutions to potentially improve their real estate operations. While ESG considerations are an integrated and fundamental part of the investment process, they are only one of several key determinants used by the investment manager to determine if an investment will be made or size adjusted in the overall portfolio.

Investments shall not knowingly include any company whose primary business activity in any of the following is more than 10% of company revenue:

- owning or operating real estate used for for-profit prisons
- owning or operating real estate used to manufacture cannabis
- manufacturing or production of tobacco
- manufacturing or production of coal mining
- manufacturing or production of controversial weapons and civilian firearms

- manufacturing or production of Arctic oil and gas

Investments shall not knowingly include the following companies that:

- have a notable controversy related to their operations and/or products, where the severity of the social or environmental impact of the controversy, is judged by the investment manager
- fail to comply with the UN Global Compact or the ILO Fundamental Principles, without material remediation and improvement
- do not have at least one female board member

The investment manager references third party ESG data and its own proprietary research during the security research process. The investment manager will review controversy cases (such as the exclusions noted above) that it views as being very severe using ratings by relevant ESG data providers and internal research. However, in some cases data on specific issuers or the exclusions noted above may not be readily available and/or may be estimated by the investment manager using reasonable estimates.

*SFDR product category* Article 8.

For more information on sustainability, see the fund's sustainability annex and the "Sustainable Investing" section on page 175.

**Benchmark(s)** See the Key Information Document for information on the benchmark that is used for performance comparison. See page 175 for usage definitions.

**Fund base currency** EUR.

## Main Risks

The risks below are divided according to how frequent (but not necessarily how significant) their effect may be on the fund. These are only the main risks, not a comprehensive listing. See "Risk Descriptions" on page 167 for more information.

### Risks typically associated with ordinary conditions

- Convertible bonds
- Credit
- Currency
- Derivatives
- Equities
- ESG/sustainability
- Eurozone
- Investment fund
- Management
- Market
- Real estate investment'

### Risks typically associated with unusual conditions or unpredictable events

- Circumstantial liquidity
- Counterparty and collateral, incl. securities techniques
- Operational and cyber
- Standard practices
- Tax change

**Risk monitoring approach** Commitment.

## Planning your Investment

**Investor profile** Investors who understand the risks of the fund and plan to invest for the long term.

The fund may appeal to investors who:

- are looking for long-term investment growth
- seek income whether in the form of capital appreciation or distributions
- are interested in exposure to developed real estate markets, either for a core investment or for diversification
- accept the risks associated with this type of investment

**Processing requests** Requests to buy, exchange and sell shares that are received and accepted by the transfer agent by 1:00 PM CET on any dealing day are ordinarily processed the same day, at a NAV calculated using market values from that day.

Settlement occurs within 3 business days after a request has been accepted.

*Continues on next page.*

**Fees (%)**

Main share class	Max. one-time fees		Annual fees		
	Entry	CDSC	Management	Adminis- tration	Distribution
A	5.75	—	1.40	0.19	—
B	—	4.00 <sup>1</sup>	1.40	0.19	1.00
C	3.00	1.00 <sup>2</sup>	2.20	0.19	—
F	—	—	0.75	0.19	—
I	3.00	—	0.75	0.14	—
J	—	—	—	0.14	—
S	—	—	0.75	0.10	—
Z	1.00	—	0.75	0.10	—

<sup>1</sup>Contingent deferred sales charge applies to shares sold within 4 years of purchase and decreases yearly by 1%. After 4 years these shares automatically convert into class A shares.

<sup>2</sup>Contingent deferred sales charge applies to shares sold within 1 year of purchase.

Hedged share classes also pay a hedging fee of maximum 0.03%. For more about fees and expenses, see "Fund Fees and Costs" on page 200. For a current and complete list of available share classes, go to [morganstanleyinvestmentfunds.com](http://morganstanleyinvestmentfunds.com).

# Global Brands Equity Income Fund

## Investment Objective and Policy

**Objective** To provide a regular income stream and long-term capital growth.

**Investment policy** The fund primarily invests (at least 70% of total net assets) in high quality steady dividend yield distributing equities of issuers located in the world's developed markets.

The fund may, on an ancillary basis (up to 30% of total net assets), invest in equity securities of issuers located in emerging markets, including China A-shares (through Stock Connect), and in preference shares, debt securities convertible into common shares or preference shares, warrants on securities and other equity linked securities to gain exposure to issuers located in developed and emerging markets. The fund may invest up to 10% of its net assets in China A-shares (through Stock Connect).

See also "Permitted assets, techniques and transactions" on page 177.

**Derivatives and techniques** The fund may use derivatives for reducing risks (hedging) and costs, and for investment purposes.

In addition to core derivatives (see "How the Funds Use Instruments and Techniques"), the fund may use total return swaps (TRSs).

The fund enters into financial derivative instruments with Morgan Stanley & Co. International Plc to enhance the level of income earned. This strategy is expected to include taking exposure via one or more swaps to options on equity indices. This is expected to increase the amount of income earned, through receipt of the premiums received for writing the underlying options. However, in a rising market, the risk of capital losses on the swaps resulting from the exercise of the options may be mitigated by the growth in the value of the underlying assets.

*TRS usage* 190% of total net assets expected, 250% maximum.

*Securities lending* None.

**Strategy** The investment manager seeks to invest in a concentrated portfolio of high quality companies with sustainably high returns on operating capital whose success the investment manager believes depends on intangible assets (for example, but not limited to, brand names, copyrights or methods of distribution) underpinning a strong business franchise.

The fund is actively managed and is not designed to track a benchmark. The management of the fund is not constrained by the composition of a benchmark.

**Sustainability approach** As an essential and integrated part of the investment process, the investment manager assesses relevant factors material to long-term sustainably high returns on operating capital including ESG factors and seeks to engage with companies as part of this. Subject to the fund's investment objective, the investment manager 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 manager considers material risks or opportunities in any of the ESG areas which could threaten or enhance the high returns on operating capital of a company.

Investment restrictions:

- the fund will apply climate-related restrictions to exclude investments in any company that the investment manager determines:
  - have any tie to fossil fuels (such as oil, gas and coal)
  - whose core business activity involves energy, construction materials, utilities (excluding renewable electricity and water utilities), metals and mining
- in addition, the fund shall not knowingly include any company:
  - whose core business activity involves weapons or civilian firearms
  - that is defined by the MSCI ESG Business Involvement Screening Research (MSCI ESG BISR) database to have any tie to controversial weapons

The above restrictions are applied by the investment manager to 100% of the equities in the fund but are not able to be applied to swaps. The details of the above exclusions can be found in the fund's exclusion policy which is available on the SICAV's website ([morganstanleyinvestmentfunds.com](http://morganstanleyinvestmentfunds.com) and on [morganstanley.com/im](http://morganstanley.com/im)). Further to the above, the investment manager 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 [morganstanleyinvestmentfunds.com](http://morganstanleyinvestmentfunds.com) and on [morganstanley.com/im](http://morganstanley.com/im). Investments that are held by the fund but become restricted under either the first or second bullet point 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 manager, taking into account the best interests of the shareholders of the fund.

The investment manager monitors business practices on an ongoing basis, through data on ESG controversies and standards screening that the investment manager sources from third party providers, including UN Global Compact violations, as well as its own engagement with company management and research. The investment manager reviews securities of issuers where it believes a significant breach of the above standards and principles has occurred and typically excludes such issuers where, after conducting our research and/or engagement, the investment manager believes the breach is material to the sustainability of returns on operating capital, poses significant financial and reputational risk and the issuer has not committed to appropriate remedial action. Such exclusions are determined by the investment manager in its discretion rather than by reliance on third party analysis. The analysis may be supported by third party ESG controversies analysis and business involvement metrics.

*SFDR product category* Article 8.

For more information on sustainability, see the fund's sustainability annex and the "Sustainable Investing" section on page 175.

**Benchmark(s)** See the Key Information Document for information on the benchmark that is used for performance comparison. See page 175 for usage definitions.

**Fund base currency** USD.

## Main Risks

The risks below are divided according to how frequent (but not necessarily how significant) their effect may be on the fund. These are only the main risks, not a comprehensive listing. See "Risk Descriptions" on page 167 for more information.

### Risks typically associated with ordinary conditions

- Concentration
- Convertible bonds
- Country risk — China
- Credit
- Currency
- Depository receipt
- Derivatives
- Emerging markets
- Equities
- ESG/sustainability
- Eurozone
- Hedging
- Investment fund
- Leverage
- Management
- Market

### Risks typically associated with unusual conditions or unpredictable events

- Circumstantial liquidity
- Counterparty and collateral
- Operational and cyber
- Standard practices
- Tax change

**Risk monitoring approach** Relative VaR, with the MSCI World Index used as a reference portfolio. Expected gross Leverage: 200% (not guaranteed; may be higher or lower).

*Continues on next page.*

## Planning your Investment

**Investor profile** Investors who understand the risks of the fund and plan to invest for the medium term.

The fund may appeal to investors who:

- seek to invest in equities
- seek capital appreciation over the medium term
- seek income whether in the form of capital appreciation or distributions
- accept the risks associated with this type of investment

**Processing requests** Requests to buy, exchange and sell shares that are received and accepted by the transfer agent by 1:00 PM CET on any dealing day are ordinarily processed the same day, at a NAV calculated using market values from that day.

Settlement occurs within 3 business days after a request has been accepted.

### Fees (%)

Main share class	Max. one-time fees		Annual fees		
	Entry	CDSC	Management	Adminis- tration	Distribution
A	5.75	—	1.75	0.19	—
B	—	4.00 <sup>1</sup>	1.75	0.19	1.00
C	3.00	1.00 <sup>2</sup>	2.50	0.19	—
F	—	—	0.85	0.19	—
I	3.00	—	0.85	0.14	—
J	—	—	0.55	0.14	—
S	—	—	0.85	0.10	—
Z	1.00	—	0.85	0.10	—

<sup>1</sup>Contingent deferred sales charge applies to shares sold within 4 years of purchase and decreases yearly by 1%. After 4 years these shares automatically convert into class A shares.

<sup>2</sup>Contingent deferred sales charge applies to shares sold within 1 year of purchase.

Hedged share classes also pay a hedging fee of maximum 0.03%. For more about fees and expenses, see "Fund Fees and Costs" on page 200. For a current and complete list of available share classes, go to [morganstanleyinvestmentfunds.com](http://morganstanleyinvestmentfunds.com).

# Global Brands Fund

## Investment Objective and Policy

**Objective** To seek an attractive long term rate of return, measured in USD.

**Investment policy** The fund primarily invests (at least 70% of total net assets) in equities of companies in the world's developed countries.

The fund may also invest, on an ancillary basis (up to 30% of total net assets), in preference shares, debt securities convertible into common shares or preference shares, warrants on securities and other equity linked securities to gain exposure to companies in developed and emerging markets, as well as equities of emerging market companies and China A-shares (through Stock Connect). The fund may invest up to 10% of its net assets in China A-shares (through Stock Connect).

See also "Permitted assets, techniques and transactions" on page 177.

**Derivatives and techniques** The fund may use derivatives for reducing risks (hedging) only.

The fund may use core derivatives only (see "How the Funds Use Instruments and Techniques").

*TRS usage and securities lending* None.

**Strategy** The investment manager seeks to invest in a concentrated portfolio of high quality companies with sustainably high returns on operating capital and whose success the investment manager believes depends on intangible assets (for example, but not limited to, brand names, copyrights or methods of distribution) underpinning a strong business franchise.

The fund is actively managed and is not designed to track a benchmark. The management of the fund is not constrained by the composition of a benchmark.

**Sustainability approach** As an essential and integrated part of the investment process, the investment manager assesses relevant factors material to long-term sustainably high returns on operating capital including ESG factors and seeks to engage with companies as part of this. Subject to the fund's investment objective, the investment manager 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 manager considers material risks or opportunities in any of the ESG areas which could threaten or enhance the high returns on operating capital of a company.

Investment restrictions:

- the fund will apply climate-related restrictions to exclude investments in any company that the investment manager determines:
  - have any tie to fossil fuels (such as oil, gas and coal)
  - whose core business activity involves energy, construction materials, utilities (excluding renewable electricity and water utilities), metals and mining
- in addition, the fund shall not knowingly include any company:
  - whose core business activity involves weapons or civilian firearms
  - that is defined by the MSCI ESG Business Involvement Screening Research (MSCI ESG BISR) database to have any tie to controversial weapons

The details of the above exclusions can be found in the fund's exclusion policy which is available on the SICAV's website ([morganstanleyinvestmentfunds.com](http://morganstanleyinvestmentfunds.com)) and on [morganstanley.com/im](http://morganstanley.com/im). Further to the above, the investment manager 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 [morganstanleyinvestmentfunds.com](http://morganstanleyinvestmentfunds.com) and on [morganstanley.com/im](http://morganstanley.com/im). Investments that are held by the fund but become restricted under either the first or second bullet point 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 manager, taking into account the best interests of the shareholders of the fund.

The investment manager monitors business practices on an ongoing basis, through data on ESG controversies and standards screening that the investment manager sources from third party providers, including UN Global Compact violations, as well as its own engagement with company management and research. The investment manager reviews securities of issuers where it believes a significant breach of the above standards and principles has occurred and typically excludes such issuers where, after conducting our research and/or engagement, the investment manager believes the breach is material to the sustainability of returns on operating capital, poses significant financial and reputational risk and the issuer has not committed to appropriate remedial action. Such exclusions are determined by the investment manager in its discretion rather than by reliance on third party analysis. The analysis may be supported by third party ESG controversies analysis and business involvement metrics.

*SFDR product category* Article 8.

For more information on sustainability, see the fund's sustainability annex and the "Sustainable Investing" section on page 175.

**Benchmark(s)** See the Key Information Document for information on the benchmark that is used for performance comparison. See page 175 for usage definitions.

**Fund base currency** USD.

## Main Risks

The risks below are divided according to how frequent (but not necessarily how significant) their effect may be on the fund. These are only the main risks, not a comprehensive listing. See "Risk Descriptions" on page 167 for more information.

### Risks typically associated with ordinary conditions

- |                        |                      |
|------------------------|----------------------|
| • Concentration        | • Equities           |
| • Convertible bonds    | • ESG/sustainability |
| • Country risk — China | • Eurozone           |
| • Credit               | • Hedging            |
| • Currency             | • Investment fund    |
| • Depositary receipt   | • Management         |
| • Derivatives          | • Market             |
| • Emerging markets     |                      |

### Risks typically associated with unusual conditions or unpredictable events

- |                               |                      |
|-------------------------------|----------------------|
| • Circumstantial liquidity    | • Standard practices |
| • Counterparty and collateral | • Tax change         |
| • Operational and cyber       |                      |

**Risk monitoring approach** Commitment.

## Planning your Investment

**Investor profile** Investors who understand the risks of the fund and plan to invest for the medium term.

The fund may appeal to investors who:

- seek to invest in equities
- seek capital appreciation over the medium term
- seek income whether in the form of capital appreciation or distributions
- accept the risks associated with this type of investment

**Processing requests** Requests to buy, exchange and sell shares that are received and accepted by the transfer agent by 1:00 PM CET on any dealing day are ordinarily processed the same day, at a NAV calculated using market values from that day.

Settlement occurs within 3 business days after a request has been accepted.

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**Fees (%)**

Main share class	Max. one-time fees		Annual fees		
	Entry	CDSC	Management	Adminis- tration	Distribution
A	5.75	—	1.60	0.19	—
B	—	4.00 <sup>1</sup>	1.60	0.19	1.00
C	3.00	1.00 <sup>2</sup>	2.40	0.19	—
F	—	—	0.75	0.19	—
I	3.00	—	0.75	0.14	—
J	—	—	—	0.14	—
S	—	—	0.75	0.10	—
Z	1.00	—	0.75	0.10	—

<sup>1</sup>Contingent deferred sales charge applies to shares sold within 4 years of purchase and decreases yearly by 1%. After 4 years these shares automatically convert into class A shares.

<sup>2</sup>Contingent deferred sales charge applies to shares sold within 1 year of purchase.

Hedged share classes also pay a hedging fee of maximum 0.03%. For more about fees and expenses, see "Fund Fees and Costs" on page 200. For a current and complete list of available share classes, go to [morganstanleyinvestmentfunds.com](http://morganstanleyinvestmentfunds.com).

# Global Core Equity Fund

## Investment Objective and Policy

**Objective** To increase the value of your investment over the long term, mainly through growth of capital.

**Investment policy** The fund invests at least 70% of total net assets in equities of medium and large capitalisation companies located anywhere in the world, including emerging markets.

Specifically, these investments may include equity-related securities, such as American and global depository receipts, and eligible closed-end real estate investment trusts (REITs).

The fund may invest up to 30% of total net assets in equities not meeting the criteria of the fund's primary investments, and other types of securities, such as preference shares and convertible bonds.

Non-base currency exposure may be partially or fully hedged to the base currency of the fund.

See also "Permitted assets, techniques and transactions" on page 177.

**Derivatives and techniques** The fund may use derivatives for reducing risks (hedging) and costs, and for investment purposes.

The fund intends to use core derivatives only (see "How the Funds Use Instruments and Techniques").

*TRS usage and securities lending* None.

**Strategy** In actively managing the fund, the investment manager sets asset allocations based on quantitative analysis of value, growth, momentum and quality, then uses fundamental analysis to select individual companies and build a concentrated portfolio (top-down and bottom-up approach). The fund is not benchmark-constrained and its performance may deviate significantly from that of the benchmark.

In making investment decisions, the investment manager does not consider the EU criteria for environmentally sustainable economic activities for the purpose of the Taxonomy Regulation.

*SFDR product category* Article 6.

**Benchmark(s)** See the Key Information Document for information on the benchmark that is used for performance comparison. See page 175 for usage definitions.

**Fund base currency** USD.

## Main Risks

The risks below are divided according to how frequent (but not necessarily how significant) their effect may be on the fund. These are only the main risks, not a comprehensive listing. See "Risk Descriptions" on page 167 for more information.

### Risks typically associated with ordinary conditions

- Convertible bonds
- Credit
- Currency
- Depository receipt
- Derivatives
- Emerging markets

- Equities
- ESG/sustainability
- Eurozone
- Hedging
- Investment fund
- Management
- Market
- Real estate investment

### Risks typically associated with unusual conditions or unpredictable events

- Circumstantial liquidity
- Counterparty and collateral
- Operational and cyber
- Standard practices
- Tax change

**Risk monitoring approach** Commitment.

## Planning your Investment

**Investor profile** Investors who understand the risks of the fund and plan to invest for the medium term.

The fund may appeal to investors who:

- are looking for medium-term investment growth
- seek income whether in the form of capital appreciation or distributions
- are interested in exposure to equity markets globally, either for a core investment or for diversification
- accept the risks associated with this type of investment

**Processing requests** Requests to buy, exchange and sell shares that are received and accepted by the transfer agent by 1:00 PM CET on any dealing day are ordinarily processed the same day, at a NAV calculated using market values from that day.

Settlement occurs within 3 business days after a request has been accepted.

### Fees (%)

Main share class	Max. one-time fees		Annual fees		
	Entry	CDSC	Management	Administration	Distribution
A	5.75	—	1.35	0.19	—
B	—	4.00 <sup>1</sup>	1.35	0.19	1.00
C	3.00	1.00 <sup>2</sup>	1.80	0.19	—
F	—	—	0.55	0.19	—
I	3.00	—	0.55	0.14	—
J	—	—	—	0.14	—
S	—	—	0.55	0.10	—
Z	1.00	—	0.55	0.10	—

<sup>1</sup>Contingent deferred sales charge applies to shares sold within 4 years of purchase and decreases yearly by 1%. After 4 years these shares automatically convert into class A shares.

<sup>2</sup>Contingent deferred sales charge applies to shares sold within 1 year of purchase.

Hedged share classes also pay a hedging fee of maximum 0.03%. For more about fees and expenses, see "Fund Fees and Costs" on page 200. For a current and complete list of available share classes, go to [morganstanleyinvestmentfunds.com](https://morganstanleyinvestmentfunds.com).

# Global Endurance Fund

## Investment Objective and Policy

**Objective** To seek long-term capital appreciation (measured in USD).

**Investment policy** The fund primarily invests (at least 70% of total net assets) in equity securities, including depository receipts (including American Depository Receipts (ADRs) and Global Depository Receipts (GDRs)), of established and emerging companies located throughout the world, with capitalisations within the range of companies included in the MSCI All Country World Index.

The fund may also invest, on an ancillary basis (up to 30% of total net assets), in equity securities not meeting the criteria of the fund's primary investments, debt securities convertible into common shares, preference shares, China A-shares (through Stock Connect), warrants and other equity linked instruments. The fund may invest up to 10% of its net assets in China A-shares (through Stock Connect). The fund may invest to a limited extent (up to 10% of total net assets) in units/shares of other collective investment schemes, including the SICAV's funds and open-ended ETFs, which are eligible investments for UCITS under the 2010 Law, and in shares of special purpose acquisition companies (SPACs).

See also "Permitted assets, techniques and transactions" on page 177.

**Derivatives and techniques** The fund may use derivatives for reducing risks (hedging) and costs, and for investment purposes.

The fund intends to use core derivatives only (see "How the Funds Use Instruments and Techniques").

*TRS usage* None.

*Securities lending* 0% of total net assets expected, 33% maximum.

**Strategy** The investment process will emphasise a bottom up stock selection process seeking attractive investments on an individual company basis. In selecting securities for investment, the investment manager seeks to invest in companies with sustainable competitive advantages. The investment manager typically favours companies with rising returns on invested capital, above-average business visibility, strong free cash flow generation and an attractive risk/reward. The fund will make long-term investments in companies globally that the investment manager believes have the most durable long-term competitive advantages. The fund may also invest in more moderate growth companies, companies with lower earnings volatility and/or ones with some cyclicalities in their end markets. The fund is actively managed, not designed to track a benchmark, and therefore not constrained by the composition of the MSCI All Country World Index. The fund references the benchmark for the purpose of setting the capitalisation range of issuers the fund will invest in.

**Sustainability approach** The investment manager actively integrates sustainability into the investment process by using ESG factors as a lens for additional fundamental research, which can contribute to investment decision-making. The investment manager seeks to understand how environmental and social initiatives within companies can create value by strengthening durable competitive advantages, creating growth opportunities, driving profitability, and/or aligning with secular growth trends. The investment manager generally engages with companies to discuss their ESG practices, with the aim of identifying how sustainability themes present opportunities and risks that can be material to the value of the security over the long-term. Other aspects of the investment process include a proprietary, systematic evaluation of governance policies, specifically focusing on compensation alignment on long-term value creation.

Specifically, investments shall not knowingly include any company whose primary business activity involves the following:

- tobacco
- coal

- weapons, comprising civilian firearms, cluster munitions and anti-personnel mines

Further to the above, the investment manager may, in its discretion, select to apply additional ESG-related investment restrictions over time that it believes are consistent with its investment objectives. The details of exclusions can be found in the fund's exclusion policy which is available on the SICAV's [website](#). Investments that are held by the fund but become restricted after they are acquired due to the application of the ESG criteria will be sold. Such sales will take place over a time period to be determined by the investment manager, taking into account the best interests of the shareholders of the fund. *SFDR product category* Article 8.

For more information on sustainability, see the fund's sustainability annex and the "Sustainable Investing" section on page 175.

**Benchmark(s)** MSCI All Country World Index, used for portfolio design indication. See the Key Information Document for information on the benchmark that is used for performance comparison. See page 175 for usage definitions.

**Fund base currency** USD.

## Main Risks

The risks below are divided according to how frequent (but not necessarily how significant) their effect may be on the fund. These are only the main risks, not a comprehensive listing. See "Risk Descriptions" on page 167 for more information.

### Risks typically associated with ordinary conditions

- Convertible bonds
- Country risk — China
- Credit
- Currency
- Depository receipt
- Derivatives
- Emerging markets
- Equities
- ESG/sustainability
- Eurozone
- Hedging
- Investment fund
- Management
- Market
- SPAC

### Risks typically associated with unusual conditions or unpredictable events

- Circumstantial liquidity
- Counterparty and collateral, incl. securities techniques
- Operational and cyber
- Standard practices
- Tax change

**Risk monitoring approach** Commitment.

## Planning your Investment

**Investor profile** Investors who understand the risks of the fund and plan to invest for the medium term.

The fund may appeal to investors who:

- seek to invest in equities
- seek capital appreciation over the medium term
- seek income whether in the form of capital appreciation or distributions
- accept the risks associated with this type of investment

**Processing requests** Requests to buy, exchange and sell shares that are received and accepted by the transfer agent by 1:00 PM CET on any dealing day are ordinarily processed the same day, at a NAV calculated using market values from that day.

Settlement occurs within 3 business days after a request has been accepted.

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**Fees (%)**

Main share class	Max. one-time fees		Annual fees		
	Entry	CDSC	Management	Adminis- tration	Distribution
A	5.75	—	1.60	0.19	—
B	—	4.00 <sup>1</sup>	1.60	0.19	1.00
C	3.00	1.00 <sup>2</sup>	2.40	0.19	—
F	—	—	0.75	0.19	—
I	3.00	—	0.75	0.14	—
J	—	—	—	0.14	—
S	—	—	—	0.10	—
Z	1.00	—	0.75	0.10	—

<sup>1</sup>Contingent deferred sales charge applies to shares sold within 4 years of purchase and decreases yearly by 1%. After 4 years these shares automatically convert into class A shares.

<sup>2</sup>Contingent deferred sales charge applies to shares sold within 1 year of purchase.

Hedged share classes also pay a hedging fee of maximum 0.03%. For more about fees and expenses, see "Fund Fees and Costs" on page 200. For a current and complete list of available share classes, go to [morganstanleyinvestmentfunds.com](http://morganstanleyinvestmentfunds.com).

# Global Focus Property Fund

## Investment Objective and Policy

**Objective** To increase the value of your investment over the long term, mainly through growth of capital.

**Investment policy** The fund invests, directly or indirectly through funds, at least 70% of total net assets in equities of companies in the real estate industry and related businesses. The fund focuses on developed markets in North America, Europe and Asia but may invest anywhere in the world, including emerging markets.

Specifically, these investments are in companies whose main activity is the development or ownership of income-producing property, companies that operate, construct, finance or sell real estate, companies with substantial real estate related holdings or services related to the real estate industry. These investments may include property-related collective investment vehicles, such as publicly quoted property unit trusts and eligible closed-end real estate investment trusts (REITs), and equity-related securities, such as American and global depositary receipts.

The fund may invest up to 30% of total net assets in equities not meeting the criteria of the fund's primary investments, and other types of securities, such as preference shares and convertible bonds.

The fund may invest in, or be exposed to, the following, up to the percentage of total net assets indicated:

- China A-shares (through Stock Connect): 10%

Non-base currency exposure may be partially or fully hedged to the base currency of the fund.

See also "Permitted assets, techniques and transactions" on page 177.

**Derivatives and techniques** The fund may use derivatives for reducing risks (hedging) and costs, and for investment purposes.

The fund intends to use core derivatives only (see "How the Funds Use Instruments and Techniques").

**TRS usage** None.

**Securities lending** 0% of total net assets expected, 33% maximum.

**Strategy** In actively managing the fund, the investment manager uses fundamental analysis to build a concentrated portfolio of companies whose securities may offer the best value relative to their underlying assets and earnings or have above-average growth potential (bottom-up approach). The investment manager also considers forecasted fundamental inflections, and macroeconomic, geopolitical and country risk factors in the portfolio construction process (top-down approach). The fund is not benchmark-constrained and its performance may deviate significantly from that of the benchmark.

**Sustainability approach** The investment manager actively integrates sustainability into the investment process by assessing key ESG risks and opportunities in the bottom-up stock selection process primarily by leveraging third party ESG providers to assess and quantify ESG performance for issuers, supplementing third party research with proprietary research conducted by the investment manager including utilising a framework for assessing and quantifying risks and opportunities related to ESG which results in a quantitative adjustment to valuation estimates, and through engagements with company management to discuss ESG-related strengths, weaknesses, and opportunities in an effort to effect positive change within the industry. Key ESG topics may include, but are not limited to: energy usage and renewables, water usage, emissions, diversity and gender equality, labour and human rights, employee and tenant health, wellness and safety and company ESG governance and disclosure.

In an effort to drive positive change and encourage companies to improve their performance on material ESG issues, the investment manager may approach company management with competitive insights, financially sound business cases and practical solutions to potentially improve their real estate operations. While ESG

considerations are an integrated and fundamental part of the investment process, they are only one of several key determinants used by the investment manager to determine if an investment will be made or size adjusted in the overall portfolio.

Investments shall not knowingly include any company whose primary business activity in any of the following is more than 10% of company revenue:

- owning or operating real estate used for for-profit prisons
- owning or operating real estate used to manufacture cannabis
- manufacturing or production of tobacco
- manufacturing or production of coal mining
- manufacturing or production of controversial weapons and civilian firearms
- manufacturing or production of Arctic oil and gas

Investments shall not knowingly include the following companies that:

- have a notable controversy related to their operations and/or products, where the severity of the social or environmental impact of the controversy, is judged by the investment manager
- fail to comply with the UN Global Compact or the ILO Fundamental Principles, without material remediation and improvement
- do not have at least one female board member (excluding companies located in Japan)

The investment manager references third party ESG data and its own proprietary research during the security research process. The investment manager will review controversy cases (such as the exclusions noted above) that it views as being very severe using ratings by relevant ESG data providers and internal research. However, in some cases data on specific issuers or the exclusions noted above may not be readily available and/or may be estimated by the investment manager using reasonable estimates.

*SFDR product category* Article 8.

For more information on sustainability, see the fund's sustainability annex and the "Sustainable Investing" section on page 175.

**Benchmark(s)** See the Key Information Document for information on the benchmark that is used for performance comparison. See page 175 for usage definitions.

**Fund base currency** USD.

## Main Risks

The risks below are divided according to how frequent (but not necessarily how significant) their effect may be on the fund. These are only the main risks, not a comprehensive listing. See "Risk Descriptions" on page 167 for more information.

### Risks typically associated with ordinary conditions

- Concentration
- Convertible bonds
- Country risk — China
- Credit
- Currency
- Depositary receipt
- Derivatives
- Emerging markets
- Equities
- ESG/sustainability
- Eurozone
- Investment fund
- Management
- Market
- Real estate investment

### Risks typically associated with unusual conditions or unpredictable events

- Circumstantial liquidity
- Counterparty and collateral, incl. securities techniques
- Operational and cyber
- Standard practices
- Tax change

**Risk monitoring approach** Commitment.

*Continues on next page.*

## Planning your Investment

**Investor profile** Investors who understand the risks of the fund and plan to invest for the long term.

The fund may appeal to investors who:

- are looking for long-term investment growth
- seek income whether in the form of capital appreciation or distributions
- are interested in exposure to real estate markets globally, either for a core investment or for diversification
- accept the risks associated with this type of investment

**Processing requests** Requests to buy, exchange and sell shares that are received and accepted by the transfer agent by 1:00 PM CET on any dealing day are ordinarily processed the same day, at a NAV calculated using market values from that day.

Settlement occurs within 3 business days after a request has been accepted.

### Fees (%)

Main share class	Max. one-time fees		Annual fees		
	Entry	CDSC	Management	Adminis-tration	Distribution
A	5.75	—	1.90	0.19	—
B	—	4.00 <sup>1</sup>	1.90	0.19	1.00
C	3.00	1.00 <sup>2</sup>	2.50	0.19	—
F	—	—	0.75	0.19	—
I	3.00	—	0.75	0.14	—
J	—	—	0.45	0.14	—
S	—	—	0.75	0.10	—
Z	1.00	—	0.75	0.10	—

<sup>1</sup>Contingent deferred sales charge applies to shares sold within 4 years of purchase and decreases yearly by 1%. After 4 years these shares automatically convert into class A shares.

<sup>2</sup>Contingent deferred sales charge applies to shares sold within 1 year of purchase.

Hedged share classes also pay a hedging fee of maximum 0.03%. For more about fees and expenses, see "Fund Fees and Costs" on page 200. For a current and complete list of available share classes, go to [morganstanleyinvestmentfunds.com](http://morganstanleyinvestmentfunds.com).

# Global Infrastructure Fund

## Investment Objective and Policy

**Objective** To increase the value of your investment over the long term, mainly through growth of capital.

**Investment policy** The fund invests, directly or indirectly through funds, at least 70% of total net assets in equities of companies in the infrastructure sector such as the storage and distribution of energy and natural resources, renewable energy, water treatment and distribution, waste management, transportation infrastructure and telecommunications. These investments may be located anywhere in the world, including emerging markets.

Specifically, these investments may include eligible closed-end real estate investment trusts (REITs). The fund may invest in any type of infrastructure sector, including those that are emerging.

The fund may invest up to 30% of total net assets in other types of securities, such as preference shares and convertible bonds, that are issued by companies in sectors described above.

Non-base currency exposure may be partially or fully hedged to the base currency of the fund.

See also "Permitted assets, techniques and transactions" on page 177.

**Derivatives and techniques** The fund may use derivatives for reducing risks (hedging) and costs only.

The fund intends to use core derivatives only (see "How the Funds Use Instruments and Techniques").

**TRS usage** None.

**Securities lending** 3% of total net assets expected, 33% maximum.

**Strategy** In actively managing the fund, the investment manager uses fundamental analysis to identify companies whose securities appear undervalued relative to intrinsic value and earnings power (value-oriented bottom-up approach). The fund is not benchmark-constrained and its performance may deviate significantly from that of the benchmark.

**Sustainability approach** The investment manager actively integrates sustainability into the investment process by assessing key ESG risks and opportunities in the bottom-up stock selection process primarily by leveraging third party ESG providers to assess and quantify ESG performance for issuers, supplementing third party research with proprietary research conducted by the investment manager including utilising a framework for evaluating and assessing risks and opportunities related to ESG which are incorporated into the team's company analysis, and through engagements with company management to discuss ESG-related strengths, weaknesses, and opportunities in an effort to effect positive change within the industry.

In an effort to drive positive change and encourage companies to improve their performance on material ESG issues, the investment manager may approach company management with competitive insights, financially sound business cases and practical solutions to potentially improve their infrastructure operations. While ESG considerations are an integrated and fundamental part of the investment process, they are only one of several key determinants used by the investment manager to determine if an investment will be made or size adjusted in the overall portfolio.

Investments shall not knowingly include any company whose primary business activity in any of the following is more than 10% of company revenue:

- manufacturing or production of tobacco
- manufacturing or production of controversial weapons and civilian firearms
- operating gambling activity
- operating adult entertainment

Investments shall not knowingly include the following companies that:

- have a notable controversy related to their operations and/or products, where the severity of the social or environmental impact of the controversy, is judged by the investment manager
- fail to comply with the UN Global Compact or the ILO Fundamental Principles, without material remediation and improvement
- do not have at least one female board member

The investment manager references third party ESG data and its own proprietary research during the security research process. The investment manager will review controversy cases (such as the exclusions noted above) that it views as being very severe using ratings by relevant ESG data providers and internal research. However, in some cases data on specific issuers or the exclusions noted above may not be readily available and/or may be estimated by the investment manager using reasonable estimates.

*SFDR product category* Article 8.

For more information on sustainability, see the fund's sustainability annex and the "Sustainable Investing" section on page 175.

**Benchmark(s)** See the Key Information Document for information on the benchmark that is used for performance comparison. See page 175 for usage definitions.

**Fund base currency** USD.

## Main Risks

The risks below are divided according to how frequent (but not necessarily how significant) their effect may be on the fund. These are only the main risks, not a comprehensive listing. See "Risk Descriptions" on page 167 for more information.

### Risks typically associated with ordinary conditions

- |                      |                          |
|----------------------|--------------------------|
| • Convertible bonds  | • Eurozone               |
| • Credit             | • Hedging                |
| • Currency           | • Infrastructure         |
| • Derivatives        | • Investment fund        |
| • Emerging markets   | • Management             |
| • Equities           | • Market                 |
| • ESG/sustainability | • Real estate investment |

### Risks typically associated with unusual conditions or unpredictable events

- |  |                         |
|--|-------------------------|
| • Circumstantial liquidity                                 | • Operational and cyber |
| • Counterparty and collateral, incl. securities techniques | • Standard practices    |
|  | • Tax change            |

**Risk monitoring approach** Commitment.

## Planning your Investment

**Investor profile** Investors who understand the risks of the fund and plan to invest for the long term.

The fund may appeal to investors who:

- are looking for long-term investment growth
- seek income whether in the form of capital appreciation or distributions
- are interested in exposure to infrastructure markets globally, either for a core investment or for diversification
- accept the risks associated with this type of investment

**Processing requests** Requests to buy, exchange and sell shares that are received and accepted by the transfer agent by 1:00 PM CET on any dealing day are ordinarily processed the same day, at a NAV calculated using market values from that day.

Settlement occurs within 3 business days after a request has been accepted.

*Continues on next page.*

**Fees (%)**

Main share class	Max. one-time fees		Annual fees		
	Entry	CDSC	Management	Adminis- tration	Distribution
A	5.75	—	1.50	0.19	—
B	—	4.00 <sup>1</sup>	1.50	0.19	1.00
C	3.00	1.00 <sup>2</sup>	2.30	0.19	—
F	—	—	0.85	0.19	—
I	3.00	—	0.85	0.14	—
J	—	—	—	0.14	—
S	—	—	0.85	0.10	—
Z	1.00	—	0.85	0.10	—

<sup>1</sup>Contingent deferred sales charge applies to shares sold within 4 years of purchase and decreases yearly by 1%. After 4 years these shares automatically convert into class A shares.

<sup>2</sup>Contingent deferred sales charge applies to shares sold within 1 year of purchase.

Hedged share classes also pay a hedging fee of maximum 0.03%. For more about fees and expenses, see "Fund Fees and Costs" on page 200. For a current and complete list of available share classes, go to [morganstanleyinvestmentfunds.com](http://morganstanleyinvestmentfunds.com).



# Global Insight Fund

## Investment Objective and Policy

**Objective** To seek long-term capital appreciation (measured in USD).

**Investment policy** The fund primarily invests (at least 70% of total net assets) in securities issued by companies on a global basis. Under normal market conditions, the fund's investment objective will be pursued by investing primarily in equities of established and emerging companies.

The fund may also be invested, on an ancillary basis (up to 30% of total net assets), in equities of companies not meeting the above requirements, debt securities convertible into common shares, depositary receipts (including American Depositary Receipts (ADRs) and Global Depositary Receipts (GDRs)), preference shares, warrants on securities, cash equivalents and other equity linked securities. The fund may invest in shares of special purpose acquisition companies (SPACs) and up to 10% of its net assets in China A-shares (through Stock Connect).

See also "Permitted assets, techniques and transactions" on page 177.

**Derivatives and techniques** The fund may use derivatives for reducing risks (hedging) and costs, and for investment purposes.

In addition to core derivatives (see "How the Funds Use Instruments and Techniques"), the fund may use total return swaps (TRSs).

**TRS usage** 0% of total net assets expected, 15% maximum.  
**Securities lending** None.

**Strategy** The investment process will emphasise a bottom-up stock selection process, seeking attractive investments on an individual company basis. In selecting securities for investment, the investment manager typically invests in unique companies it believes have and sustainable competitive advantages with above average business visibility, the ability to deploy capital at high rates of return, strong balance sheets and an attractive risk/reward. The fund is actively managed, not designed to track a benchmark, and therefore not constrained by the composition of a benchmark.

**Sustainability approach** The investment manager actively integrates sustainability into the investment process by using ESG factors as a lens for additional fundamental research, which can contribute to investment decision-making. The investment manager seeks to understand how environmental and social initiatives within companies can create value by strengthening durable competitive advantages, creating growth opportunities, driving profitability, and/or aligning with secular growth trends. The investment manager generally engages with companies to discuss their ESG practices, with the aim of identifying how sustainability themes present opportunities and risks that can be material to the value of the security over the long-term. Other aspects of the investment process include a proprietary, systematic evaluation of governance policies, specifically focusing on compensation alignment on long-term value creation.

Specifically, investments shall not knowingly include any company whose primary business activity involves the following:

- tobacco
- coal
- weapons, comprising civilian firearms, cluster munitions and anti-personnel mines

Further to the above, the investment manager may, in its discretion, select to apply additional ESG-related investment restrictions over time that it believes are consistent with its investment objectives. The details of exclusions can be found in the fund's exclusion policy which is available on the SICAV's [website](#). Investments that are held by the fund but become restricted after they are acquired due to the application of the ESG criteria will be sold. Such sales will take place over a time period to be determined by the investment manager, taking into account the best interests of the shareholders of the fund.  
**SFDR product category** Article 8.

For more information on sustainability, see the fund's sustainability annex and the "Sustainable Investing" section on page 175.

**Benchmark(s)** See the Key Information Document for information on the benchmark that is used for performance comparison. See page 175 for usage definitions.

**Fund base currency** USD.

## Main Risks

The risks below are divided according to how frequent (but not necessarily how significant) their effect may be on the fund. These are only the main risks, not a comprehensive listing. See "Risk Descriptions" on page 167 for more information.

### Risks typically associated with ordinary conditions

- Convertible bonds
- Country risk — China
- Credit
- Currency
- Depositary receipt
- Derivatives
- Emerging markets
- Equities
- ESG/sustainability
- Eurozone
- Hedging
- Investment fund
- Management
- Market
- SPAC

### Risks typically associated with unusual conditions or unpredictable events

- Circumstantial liquidity
- Counterparty and collateral
- Operational and cyber
- Standard practices
- Tax change

**Risk monitoring approach** Commitment.

## Planning your Investment

**Investor profile** Investors who understand the risks of the fund and plan to invest for the medium term.

The fund may appeal to investors who:

- seek to invest in equities
- seek capital appreciation over the medium term
- seek income whether in the form of capital appreciation or distributions
- accept the risks associated with this type of investment

**Processing requests** Requests to buy, exchange and sell shares that are received and accepted by the transfer agent by 1:00 PM CET on any dealing day are ordinarily processed the same day, at a NAV calculated using market values from that day.

Settlement occurs within 3 business days after a request has been accepted.

### Fees (%)

Main share class	Max. one-time fees		Annual fees		
	Entry	CDSC	Management	Adminis-tration	Distribution
A	5.75	—	1.60	0.19	—
B	—	4.00 <sup>1</sup>	1.60	0.19	1.00
C	3.00	1.00 <sup>2</sup>	2.40	0.19	—
F	—	—	0.75	0.19	—
I	3.00	—	0.75	0.14	—
J	—	—	—	0.14	—
S	—	—	0.75	0.10	—
Z	1.00	—	0.75	0.10	—

<sup>1</sup>Contingent deferred sales charge applies to shares sold within 4 years of purchase and decreases yearly by 1%. After 4 years these shares automatically convert into class A shares.

<sup>2</sup>Contingent deferred sales charge applies to shares sold within 1 year of purchase.

Hedged share classes also pay a hedging fee of maximum 0.03%. For more about fees and expenses, see "Fund Fees and Costs" on page 200. For a current and complete list of available share classes, go to [morganstanleyinvestmentfunds.com](https://www.morganstanleyinvestmentfunds.com).

# Global Opportunity Fund

## Investment Objective and Policy

**Objective** To seek long-term capital appreciation (measured in USD).

**Investment policy** The fund primarily invests (at least 70% of total net assets) in equity securities of issuers located in any country, including depositary receipts (including American Depositary Receipts (ADRs) and Global Depositary Receipts (GDRs)).

The fund may also invest, on an ancillary basis (up to 30% of total net assets), in debt securities convertible into common shares, preference shares, China A-shares (through Stock Connect), warrants on securities, cash equivalents and other equity linked securities.

The fund may invest up to 20% of its net assets in China A-shares (through Stock Connect). The fund may invest to a limited extent (up to 10% of total net assets) in units/shares of other collective investment schemes, including the SICAV's funds and open-ended ETFs, which are eligible investments for UCITS under the 2010 Law, and in shares of special purpose acquisition companies (SPACs).

See also "Permitted assets, techniques and transactions" on page 177.

**Derivatives and techniques** The fund may use derivatives for reducing risks (hedging) and costs, and for investment purposes.

The fund intends to use core derivatives only (see "How the Funds Use Instruments and Techniques").

*TRS usage* None.

*Securities lending* 1% of total net assets expected, 33% maximum.

**Strategy** The investment manager emphasises a bottom-up stock selection process, seeking attractive investments on an individual company basis. In selecting securities for investment, the investment manager seeks high quality established and emerging companies that the investment manager believes are undervalued at the time of purchase. The investment manager 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 manager generally considers selling a portfolio holding when it determines that the holding no longer satisfies its investment criteria. 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.

**Sustainability approach** The investment manager employs a holistic approach to ESG within its company quality assessment by analysing potential impacts to humanity's health, environment, liberty and productivity, and corporate governance measures to ensure agency, culture and trust. The investment manager 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 manager believes that ESG risks are more likely to materialise and externalities not borne by the investee 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 manager typically engages company management in constructive discussions on a range of ESG issues the investment manager deems materially important.

Specifically, investments shall not knowingly include any company whose primary business activity involves the following:

- tobacco
- coal
- weapons, comprising civilian firearms, cluster munitions and anti-personnel mines

Further to the above, the investment manager may, in its discretion, select to apply additional ESG-related investment restrictions over time that it believes are consistent with its investment objectives. The details of exclusions can be found in the fund's exclusion policy which is available on the SICAV's [website](#). Investments that are held by the fund but become restricted after they are acquired due to the application of the ESG criteria will be sold. Such sales will take place

over a time period to be determined by the investment manager, taking into account the best interests of the shareholders of the fund. *SFDR product category* Article 8.

For more information on sustainability, see the fund's sustainability annex and the "Sustainable Investing" section on page 175.

**Benchmark(s)** See the Key Information Document for information on the benchmark that is used for performance comparison. See page 175 for usage definitions.

**Fund base currency** USD.

## Main Risks

The risks below are divided according to how frequent (but not necessarily how significant) their effect may be on the fund. These are only the main risks, not a comprehensive listing. See "Risk Descriptions" on page 167 for more information.

### Risks typically associated with ordinary conditions

- Convertible bonds
- Country risk — China
- Credit
- Currency
- Depositary receipt
- Derivatives
- Emerging markets
- Equities
- ESG/sustainability
- Eurozone
- Hedging
- Investment fund
- Management
- Market
- SPAC

### Risks typically associated with unusual conditions or unpredictable events

- Circumstantial liquidity
- Counterparty and collateral, incl. securities techniques
- Operational and cyber
- Standard practices
- Tax change

**Risk monitoring approach** Commitment.

## Planning your Investment

**Investor profile** Investors who understand the risks of the fund and plan to invest for the long term.

The fund may appeal to investors who:

- seek to invest in equities
- seek capital appreciation over the long term
- seek income whether in the form of capital appreciation or distributions
- accept the risks associated with this type of investment

**Processing requests** Requests to buy, exchange and sell shares that are received and accepted by the transfer agent by 1:00 PM CET on any dealing day are ordinarily processed the same day, at a NAV calculated using market values from that day.

Settlement occurs within 3 business days after a request has been accepted.

### Fees (%)

Main share class	Max. one-time fees		Annual fees		
	Entry	CDSC	Management	Adminis-tration	Distribution
A	5.75	—	1.60	0.19	—
B	—	4.00 <sup>1</sup>	1.60	0.19	1.00
C	3.00	1.00 <sup>2</sup>	2.40	0.19	—
F	—	—	0.75	0.19	—
I	3.00	—	0.75	0.14	—
J	—	—	—	0.14	—
S	—	—	0.75	0.10	—
Z	1.00	—	0.75	0.10	—

<sup>1</sup>Contingent deferred sales charge applies to shares sold within 4 years of purchase and decreases yearly by 1%. After 4 years these shares automatically convert into class A shares.

<sup>2</sup>Contingent deferred sales charge applies to shares sold within 1 year of purchase.

Hedged share classes also pay a hedging fee of maximum 0.03%. For more about fees and expenses, see "Fund Fees and Costs" on page 200. For a current and complete list of available share classes, go to [morganstanleyinvestmentfunds.com](#).

# Global Permanence Fund

## Investment Objective and Policy

**Objective** To seek long-term capital appreciation (measured in USD).

**Investment policy** The fund primarily invests (at least 70% of total net assets) in equity securities, including depositary receipts (including American Depositary Receipts (ADRs) and Global Depositary Receipts (GDRs)), of established companies located throughout the world, with capitalisations within the range of companies included in the MSCI All Country World Index.

The fund may also invest, on an ancillary basis (up to 30% of total net assets), in equity securities not meeting the criteria of the fund's primary investments, debt securities convertible into common shares, preference shares, China A-shares (through Stock Connect), warrants and other equity linked instruments. The fund may invest up to 10% of its net assets in China A-shares (through Stock Connect). The fund may invest to a limited extent (up to 10% of total net assets) in units/shares of other collective investment schemes, including the SICAV's funds and open-ended ETFs, which are eligible investments for UCITS under the 2010 Law, and in shares of special purpose acquisition companies (SPACs).

See also "Permitted assets, techniques and transactions" on page 177.

**Derivatives and techniques** The fund may use derivatives for reducing risks (hedging) and costs, and for investment purposes.

The fund intends to use core derivatives only (see "How the Funds Use Instruments and Techniques").

*TRS usage* None.

*Securities lending* 0% of total net assets expected, 33% maximum.

**Strategy** The investment process will emphasise a bottom up stock selection process seeking attractive investments on an individual company basis. In selecting securities for investment, the investment manager typically invests in companies it believes have strong name recognition and sustainable competitive advantages with above average business visibility, the ability to deploy capital at high rates of return, strong balance sheets and an attractive risk/reward. The fund will make long-term investments in companies globally that the investment manager believes have the most durable long-term competitive advantages. The fund may also invest in more moderate growth companies, companies with lower earnings volatility and/or ones with some cyclicality in their end markets. The fund is actively managed, not designed to track a benchmark, and therefore not constrained by the composition of the MSCI All Country World Index. The fund references the benchmark for the purpose of setting the capitalisation range of issuers the fund will invest in.

**Sustainability approach** The investment manager actively integrates sustainability into the investment process by using ESG factors as a lens for additional fundamental research, which can contribute to investment decision-making. The investment manager seeks to understand how environmental and social initiatives within companies can create value by strengthening durable competitive advantages, creating growth opportunities, driving profitability, and/or aligning with secular growth trends. The investment manager generally engages with companies to discuss their ESG practices, with the aim of identifying how sustainability themes present opportunities and risks that can be material to the value of the security over the long-term. Other aspects of the investment process include a proprietary, systematic evaluation of governance policies, specifically focusing on compensation alignment on long-term value creation.

Specifically, investments shall not knowingly include any company whose primary business activity involves the following:

- tobacco
- coal

- weapons, comprising civilian firearms, cluster munitions and anti-personnel mines

Further to the above, the investment manager may, in its discretion, select to apply additional ESG-related investment restrictions over time that it believes are consistent with its investment objectives. The details of exclusions can be found in the fund's exclusion policy which is available on the SICAV's [website](#). Investments that are held by the fund but become restricted after they are acquired due to the application of the ESG criteria will be sold. Such sales will take place over a time period to be determined by the investment manager, taking into account the best interests of the shareholders of the fund. *SFDR product category* Article 8.

For more information on sustainability, see the fund's sustainability annex and the "Sustainable Investing" section on page 175.

**Benchmark(s)** MSCI All Country World Index, used for portfolio design indication. See the Key Information Document for information on the benchmark that is used for performance comparison. See page 175 for usage definitions.

**Fund base currency** USD.

## Main Risks

The risks below are divided according to how frequent (but not necessarily how significant) their effect may be on the fund. These are only the main risks, not a comprehensive listing. See "Risk Descriptions" on page 167 for more information.

### Risks typically associated with ordinary conditions

- Convertible bonds
- Country risk — China
- Credit
- Currency
- Depositary receipt
- Derivatives
- Emerging markets
- Equities
- ESG/sustainability
- Eurozone
- Hedging
- Investment fund
- Management
- Market
- SPAC

### Risks typically associated with unusual conditions or unpredictable events

- Circumstantial liquidity
- Counterparty and collateral, incl. securities techniques
- Operational and cyber
- Standard practices
- Tax change

**Risk monitoring approach** Commitment.

## Planning your Investment

**Investor profile** Investors who understand the risks of the fund and plan to invest for the medium term.

The fund may appeal to investors who:

- seek to invest in equities
- seek capital appreciation over the medium term
- seek income whether in the form of capital appreciation or distributions
- accept the risks associated with this type of investment

**Processing requests** Requests to buy, exchange and sell shares that are received and accepted by the transfer agent by 1:00 PM CET on any dealing day are ordinarily processed the same day, at a NAV calculated using market values from that day.

Settlement occurs within 3 business days after a request has been accepted

*Continues on next page.*

**Fees (%)**

Main share class	Max. one-time fees		Annual fees		
	Entry	CDSC	Management	Adminis- tration	Distribution
A	5.75	—	1.60	0.19	—
B	—	4.00 <sup>1</sup>	1.60	0.19	1.00
C	3.00	1.00 <sup>2</sup>	2.40	0.19	—
F	—	—	0.75	0.19	—
I	3.00	—	0.75	0.14	—
J	—	—	—	0.14	—
S	—	—	—	0.10	—
Z	1.00	—	0.75	0.10	—

<sup>1</sup>Contingent deferred sales charge applies to shares sold within 4 years of purchase and decreases yearly by 1%. After 4 years these shares automatically convert into class A shares.

<sup>2</sup>Contingent deferred sales charge applies to shares sold within 1 year of purchase.

Hedged share classes also pay a hedging fee of maximum 0.03%. For more about fees and expenses, see "Fund Fees and Costs" on page 200. For a current and complete list of available share classes, go to [morganstanleyinvestmentfunds.com](http://morganstanleyinvestmentfunds.com).

# Global Property Fund

## Investment Objective and Policy

**Objective** To increase the value of your investment over the long term, mainly through growth of capital.

**Investment policy** The fund invests, directly or indirectly through funds, at least 70% of total net assets in equities of companies in the real estate industry, or closely related to this industry. These investments may be located anywhere in the world, including emerging markets.

Specifically, these investments may include property-related collective investment vehicles, such as publicly quoted property unit trusts and eligible closed-end real estate investment trusts (REITs).

The fund may invest up to 30% of total net assets in equities not meeting the criteria of the fund's primary investments, and other types of securities, such as preference shares and convertible bonds.

Non-base currency exposure may be partially or fully hedged to the base currency of the fund.

See also "Permitted assets, techniques and transactions" on page 177.

**Derivatives and techniques** The fund may use derivatives for reducing risks (hedging) and costs only.

The fund intends to use core derivatives only (see "How the Funds Use Instruments and Techniques").

*TRS usage* None.

*Securities lending* 4% of total net assets expected, 33% maximum.

**Strategy** In actively managing the fund, the investment manager uses fundamental analysis to identify companies whose securities may offer the best value relative to their underlying assets and earnings or have above-average growth potential (bottom-up approach). The investment manager also considers forecasted fundamental inflections and macroeconomic, geopolitical and country risk factors to achieve geographical and sectoral diversification at the portfolio level (top-down approach). The fund is not benchmark-constrained and its performance may deviate significantly from that of the benchmark.

**Sustainability approach** The investment manager actively integrates sustainability into the investment process by assessing key ESG risks and opportunities in the bottom-up stock selection process primarily by leveraging third party ESG providers to assess and quantify ESG performance for issuers, supplementing third party research with proprietary research conducted by the investment manager including utilising a framework for assessing and quantifying risks and opportunities related to ESG which results in a quantitative adjustment to valuation estimates, and through engagements with company management to discuss ESG-related strengths, weaknesses, and opportunities in an effort to effect positive change within the industry. Key ESG topics may include, but are not limited to: energy usage and renewables, water usage, emissions, diversity and gender equality, labour and human rights, employee and tenant health, wellness and safety and company ESG governance and disclosure.

In an effort to drive positive change and encourage companies to improve their performance on material ESG issues, the investment manager may approach company management with competitive insights, financially sound business cases and practical solutions to potentially improve their real estate operations. While ESG considerations are an integrated and fundamental part of the investment process, they are only one of several key determinants used by the investment manager to determine if an investment will be made or size adjusted in the overall portfolio.

Investments shall not knowingly include any company whose primary business activity in any of the following is more than 10% of company revenue:

- owning or operating real estate used for for-profit prisons
- owning or operating real estate used to manufacture cannabis
- manufacturing or production of tobacco
- manufacturing or production of coal mining
- manufacturing or production of controversial weapons and civilian firearms

- manufacturing or production of Arctic oil and gas

Investments shall not knowingly include the following companies that:

- have a notable controversy related to their operations and/or products, where the severity of the social or environmental impact of the controversy, is judged by the investment manager
- fail to comply with the UN Global Compact or the ILO Fundamental Principles, without material remediation and improvement
- do not have at least one female board member (excluding companies located in Japan)

The investment manager references third party ESG data and its own proprietary research during the security research process. The investment manager will review controversy cases (such as the exclusions noted above) that it views as being very severe using ratings by relevant ESG data providers and internal research. However, in some cases data on specific issuers or the exclusions noted above may not be readily available and/or may be estimated by the investment manager using reasonable estimates.

*SFDR product category* Article 8.

For more information on sustainability, see the fund's sustainability annex and the "Sustainable Investing" section on page 175.

**Benchmark(s)** See the Key Information Document for information on the benchmark that is used for performance comparison. See page 175 for usage definitions.

**Fund base currency** USD.

## Main Risks

The risks below are divided according to how frequent (but not necessarily how significant) their effect may be on the fund. These are only the main risks, not a comprehensive listing. See "Risk Descriptions" on page 167 for more information.

### Risks typically associated with ordinary conditions

- Convertible bonds
- Credit
- Currency
- Derivatives
- Emerging markets
- Equities
- ESG/sustainability
- Eurozone
- Investment fund
- Management
- Market
- Real estate investment

### Risks typically associated with unusual conditions or unpredictable events

- Circumstantial liquidity
- Counterparty and collateral, incl. securities techniques
- Operational and cyber
- Standard practices
- Tax change

**Risk monitoring approach** Commitment.

## Planning your Investment

**Investor profile** Investors who understand the risks of the fund and plan to invest for the long term.

The fund may appeal to investors who:

- are looking for long-term investment growth
- seek income whether in the form of capital appreciation or distributions
- are interested in exposure to real estate markets globally, either for a core investment or for diversification
- accept the risks associated with this type of investment

**Processing requests** Requests to buy, exchange and sell shares that are received and accepted by the transfer agent by 1:00 PM CET on any dealing day are ordinarily processed the same day, at a NAV calculated using market values from that day.

*Continues on next page.*

Settlement occurs within 3 business days after a request has been accepted.

**Fees (%)**

Main share class	Max. one-time fees		Annual fees		
	Entry	CDSC	Management	Adminis-tration	Distribution
A	5.75	—	1.50	0.19	—
B	—	4.00 <sup>1</sup>	1.50	0.19	1.00
C	3.00	1.00 <sup>2</sup>	2.30	0.19	—
F	—	—	0.85	0.19	—
I	3.00	—	0.85	0.14	—
J	—	—	—	0.14	—
S	—	—	0.85	0.10	—
Z	1.00	—	0.85	0.10	—

<sup>1</sup>Contingent deferred sales charge applies to shares sold within 4 years of purchase and decreases yearly by 1%. After 4 years these shares automatically convert into class A shares.

<sup>2</sup>Contingent deferred sales charge applies to shares sold within 1 year of purchase.

Hedged share classes also pay a hedging fee of maximum 0.03%. For more about fees and expenses, see "Fund Fees and Costs" on page 200. For a current and complete list of available share classes, go to [morganstanleyinvestmentfunds.com](http://morganstanleyinvestmentfunds.com).

# Global Quality Fund

## Investment Objective and Policy

**Objective** To seek an attractive long term rate of return, measured in USD.

**Investment policy** The fund primarily invests (at least 70% of total net assets) in equities of companies in the world's developed countries.

The fund may also invest, on an ancillary basis (up to 30% of total net assets), in equities of companies located in emerging markets, including China A-shares (through Stock Connect), in preference shares, debt securities convertible into common shares or preference shares, warrants on securities and other equity linked securities. The fund may invest up to 10% of its net assets in China A-shares (through Stock Connect).

See also "Permitted assets, techniques and transactions" on page 177.

**Derivatives and techniques** The fund may use derivatives for reducing risks (hedging) only.

The fund may use core derivatives only (see "How the Funds Use Instruments and Techniques").

*TRS usage and securities lending* None.

**Strategy** The investment manager seeks to invest in a concentrated portfolio of high quality businesses with strong management that can achieve sustainably high returns on operating capital. The investment manager believes that long term returns can best be achieved through compounding and minimising downside participation and that high quality companies can generate superior returns for their owners over the long term. The search for high quality companies focuses on identifying companies with strong franchises, typically underpinned by hard to replicate intangible assets. Characteristics include resilient revenue streams, pricing power, typically low capital intensity and the opportunity for organic growth. The investment manager aims to buy these stocks at attractive valuations relative to their cash-flow based fundamental values. The fund's investment process focuses on high quality companies with sustainably high returns on operating capital.

The fund is actively managed and is not designed to track a benchmark. The management of the fund is not constrained by the composition of a benchmark.

**Sustainability approach** As an essential and integrated part of the investment process, the investment manager assesses relevant factors material to long-term sustainably high returns on operating capital including ESG factors and seeks to engage with companies as part of this. Subject to the fund's investment objective, the investment manager 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 manager considers material risks or opportunities in any of the ESG areas which could threaten or enhance the high returns on operating capital of a company.

Investment restrictions:

- the fund will apply climate-related restrictions to exclude investments in any company that the investment manager determines:
  - have any tie to fossil fuels (such as oil, gas and coal)
  - whose core business activity involves energy, construction materials, utilities (excluding renewable electricity and water utilities), metals and mining
- in addition, the fund shall not knowingly include any company:
  - whose core business activity involves weapons or civilian firearms
  - that is defined by the MSCI ESG Business Involvement Screening Research (MSCI ESG BISR) database to have any tie to controversial weapons

The details of the above exclusions can be found in the fund's exclusion policy which is available on the SICAV's website ([morganstanleyinvestmentfunds.com](http://morganstanleyinvestmentfunds.com) and on [morganstanley.com/im](http://morganstanley.com/im)). Further to the above, the investment manager 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 [morganstanleyinvestmentfunds.com](http://morganstanleyinvestmentfunds.com) and on [morganstanley.com/im](http://morganstanley.com/im). Investments that are held by the fund but become restricted under either the first or second bullet point 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 manager, taking into account the best interests of the shareholders of the fund.

The investment manager monitors business practices on an ongoing basis, through data on ESG controversies and standards screening that the investment manager sources from third party providers, including UN Global Compact violations, as well as its own engagement with company management and research. The investment manager reviews securities of issuers where it believes a significant breach of the above standards and principles has occurred and typically excludes such issuers where, after conducting our research and/or engagement, the investment manager believes the breach is material to the sustainability of returns on operating capital, poses significant financial and reputational risk and the issuer has not committed to appropriate remedial action. Such exclusions are determined by the investment manager in its discretion rather than by reliance on third party analysis. The analysis may be supported by third party ESG controversies analysis and business involvement metrics.

*SFDR product category* Article 8.

For more information on sustainability, see the fund's sustainability annex and the "Sustainable Investing" section on page 175.

**Benchmark(s)** See the Key Information Document for information on the benchmark that is used for performance comparison. See page 175 for usage definitions.

**Fund base currency** USD.

## Main Risks

The risks below are divided according to how frequent (but not necessarily how significant) their effect may be on the fund. These are only the main risks, not a comprehensive listing. See "Risk Descriptions" on page 167 for more information.

### Risks typically associated with ordinary conditions

- Concentration
- Convertible bonds
- Country risk — China
- Credit
- Currency
- Depositary receipt
- Derivatives
- Emerging markets
- Equities
- ESG/sustainability
- Eurozone
- Hedging
- Investment fund
- Management
- Market

### Risks typically associated with unusual conditions or unpredictable events

- Circumstantial liquidity
- Counterparty and collateral
- Operational and cyber
- Standard practices
- Tax change

**Risk monitoring approach** Commitment.

*Continues on next page.*

## Planning your Investment

**Investor profile** Investors who understand the risks of the fund and plan to invest for the medium term.

The fund may appeal to investors who:

- seek to invest in equities
- seek capital appreciation over the medium term
- seek income whether in the form of capital appreciation or distributions
- accept the risks associated with this type of investment

**Processing requests** Requests to buy, exchange and sell shares that are received and accepted by the transfer agent by 1:00 PM CET on any dealing day are ordinarily processed the same day, at a NAV calculated using market values from that day.

Settlement occurs within 3 business days after a request has been accepted.

### Fees (%)

Main share class	Max. one-time fees		Annual fees		
	Entry	CDSC	Management	Adminis-tration	Distribution
A	5.75	—	1.60	0.19	—
B	—	4.00 <sup>1</sup>	1.60	0.19	1.00
C	3.00	1.00 <sup>2</sup>	2.40	0.19	—
F	—	—	0.75	0.19	—
I	3.00	—	0.75	0.14	—
J	—	—	—	0.14	—
S	—	—	0.75	0.10	—
Z	1.00	—	0.75	0.10	—

<sup>1</sup>Contingent deferred sales charge applies to shares sold within 4 years of purchase and decreases yearly by 1%. After 4 years these shares automatically convert into class A shares.

<sup>2</sup>Contingent deferred sales charge applies to shares sold within 1 year of purchase.

Hedged share classes also pay a hedging fee of maximum 0.03%. For more about fees and expenses, see "Fund Fees and Costs" on page 200. For a current and complete list of available share classes, go to [morganstanleyinvestmentfunds.com](http://morganstanleyinvestmentfunds.com).



# Global Sustain Fund

## Investment Objective and Policy

**Objective** To seek an attractive long-term rate of return, measured in USD. The investment manager will also apply ESG criteria that seek to achieve a greenhouse gas (GHG) emissions intensity for the fund that is significantly lower than that of the reference universe (which is defined, only for the purposes of comparing GHG emissions intensity, as the MSCI AC World Index).

**Investment policy** The fund primarily invests (at least 70% of total net assets) in equity securities, including depositary receipts, of issuers located in any jurisdiction.

The fund may, on an ancillary basis (up to 30% of total net assets), invest in equities of companies located in emerging markets, including China A-shares (through Stock Connect), as well as in preference shares, debt securities convertible into common shares or preference shares, warrants on securities and other equity linked securities. The fund may invest up to 10% of its net assets in China A-shares (through Stock Connect).

See also "Permitted assets, techniques and transactions" on page 177.

**Derivatives and techniques** The fund may use derivatives for reducing risks (hedging) and costs, and for investment purposes.

The fund may use core derivatives only (see "How the Funds Use Instruments and Techniques").

*TRS usage and securities lending* None.

**Strategy** The investment manager seeks to invest in a concentrated portfolio of high quality, strong franchises characterised by sustainably high returns on operating capital, hard to replicate intangible assets (including brands, networks, licences and patents), and pricing power. The investment manager seeks to identify capable management teams able to allocate capital effectively to grow the franchise and sustain or improve the return on operating capital. The fund's investment process focuses on high quality companies with sustainably high returns on operating capital.

The fund is actively managed and is not designed to track a benchmark. The management of the fund is not constrained by the composition of a benchmark.

**Sustainability approach** As an essential and integrated part of the investment process, the investment manager assesses relevant factors material to long-term sustainably high returns on operating capital including ESG factors and seeks to engage with companies as part of this. Subject to the fund's investment objective, the investment manager retains discretion over which investments are selected. In exercising this discretion, 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 manager considers material risks or opportunities in any of the ESG areas which could threaten or enhance the high returns on operating capital of a company.

In order to meet the low GHG emissions intensity criteria:

- the fund will firstly exclude investments in any company that the investment manager determines:
  - have any tie to fossil fuels (such as oil, gas and coal)
  - any company whose core business activity involves energy, construction materials, utilities (excluding renewable electricity and water utilities), metals and mining, or – for which GHG emissions intensity estimates are not available and/or cannot be estimated (in the investment manager's discretion); and
- the remaining issuers will then be ranked according to their GHG emissions intensity estimates, and those with the highest intensity will be excluded from the reference universe

For the purpose of this fund, the term GHG shall be as defined by the GHG protocol and include carbon dioxide (CO<sub>2</sub>), methane (CH<sub>4</sub>), nitrous oxide (N<sub>2</sub>O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs) and sulphur hexafluoride (SF<sub>6</sub>) in metric tonnes and in tonnes of CO<sub>2</sub> equivalent.

As noted above, the fund aims to achieve a GHG emissions intensity that is significantly lower than that of its reference universe (MSCI AC World Index) by excluding issuers on the basis of their relative GHG emissions intensity estimates. The investment manager uses third-party data providers to ascertain the GHG emissions intensity of specific issuers and in some cases data on specific issuers may not be available or may be estimated by an alternative third-party data provider or the investment manager using internal methodologies or reasonable estimates. The methodologies used by different data providers may vary and if the preferred data provider changes its methodology, the GHG emissions intensity estimates for one or more issuers may also change significantly. The investment manager will also use its best efforts to exclude any company that the investment manager determines have a tie to fossil fuels (e.g. reserve ownership, related revenues and power generation) but in some cases the data may not be available or fully representative of the activities of the issuer.

The GHG emissions based investment criteria should collectively result in a reduction of the reference universe by at least 20% in a significantly engaging manner and the investment manager will ensure that at least 90% of the issuers in the portfolio are assessed against these criteria.

Investment restrictions:

- in addition to the above GHG-related exclusions, investments shall not knowingly include any company whose core business activity involves the following:
  - tobacco
  - alcohol
  - adult entertainment
  - gambling
  - civilian firearms
  - weapons
- the fund will not invest in any company that is defined by the MSCI ESG Business Involvement Screening Research (MSCI ESG BISR) database to have any tie to controversial weapons

The details of the above exclusions can be found in the fund's exclusion policy which is available on the SICAV's website ([morganstanleyinvestmentfunds.com](http://morganstanleyinvestmentfunds.com) and on [morganstanley.com/im](http://morganstanley.com/im)). Further to the above, the investment manager 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 [morganstanleyinvestmentfunds.com](http://morganstanleyinvestmentfunds.com) and on [morganstanley.com/im](http://morganstanley.com/im). Investments that are held by the fund but become restricted under either the first or second bullet point 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 manager, taking into account the best interests of the shareholders of the fund.

The investment manager monitors business practices on an ongoing basis, through data on ESG controversies and standards screening that the investment manager sources from third party providers, including UN Global Compact violations, as well as its own engagement with company management and research. The investment manager reviews securities of issuers where it believes a significant breach of the above standards and principles has occurred and typically excludes such issuers where, after conducting our research and/or engagement, the investment manager believes the breach is material to the sustainability of returns on operating capital, poses significant financial and reputational risk and the issuer has not committed to appropriate remedial action. Such exclusions are determined by the investment manager in its discretion rather than by reliance on third party analysis. The analysis may be supported by third party ESG controversies analysis and business involvement metrics.

*SFDR product category* Article 8.

For more information on sustainability, see the fund's sustainability annex and the "Sustainable Investing" section on page 175.

*Continues on next page.*

**Benchmark(s)** MSCI World Index, used for performance comparison. MSCI AC World Index, reference universe used only for the purposes of comparing GHG emissions intensity.

**Fund base currency** USD.

## Main Risks

The risks below are divided according to how frequent (but not necessarily how significant) their effect may be on the fund. These are only the main risks, not a comprehensive listing. See "Risk Descriptions" on page 167 for more information.

### Risks typically associated with ordinary conditions

- Concentration
- Convertible bonds
- Country risk — China
- Credit
- Currency
- Depositary receipt
- Derivatives
- Emerging markets
- Equities
- ESG/sustainability
- Eurozone
- Hedging
- Investment fund
- Management
- Market

### Risks typically associated with unusual conditions or unpredictable events

- Circumstantial liquidity
- Counterparty and collateral
- Operational and cyber
- Standard practices
- Tax change

**Risk monitoring approach** Commitment.

## Planning your Investment

**Investor profile** Investors who understand the risks of the fund and plan to invest for the medium term.

The fund may appeal to investors who:

- seek to invest in equities
- seek capital appreciation over the medium term
- seek income whether in the form of capital appreciation or distributions
- accept the risks associated with this type of investment

**Processing requests** Requests to buy, exchange and sell shares that are received and accepted by the transfer agent by 1:00 PM CET on any dealing day are ordinarily processed the same day, at a NAV calculated using market values from that day.

Settlement occurs within 3 business days after a request has been accepted.

### Fees (%)

Main share class	Max. one-time fees		Annual fees		
	Entry	CDSC	Management	Administration	Distribution
A	5.75	—	1.50	0.19	—
B	—	4.00 <sup>1</sup>	1.50	0.19	1.00
C	3.00	1.00 <sup>2</sup>	2.30	0.19	—
F	—	—	0.65	0.19	—
I	3.00	—	0.65	0.14	—
J	—	—	0.50	0.14	—
S	—	—	0.65	0.10	—
Z	1.00	—	0.65	0.10	—

<sup>1</sup>Contingent deferred sales charge applies to shares sold within 4 years of purchase and decreases yearly by 1%. After 4 years these shares automatically convert into class A shares.

<sup>2</sup>Contingent deferred sales charge applies to shares sold within 1 year of purchase.

Hedged share classes also pay a hedging fee of maximum 0.03%. For more about fees and expenses, see "Fund Fees and Costs" on page 200. For a current and complete list of available share classes, go to [morganstanleyinvestmentfunds.com](http://morganstanleyinvestmentfunds.com).

# Indian Equity Fund

## Investment Objective and Policy

**Objective** To increase the value of your investment over the long term, mainly through growth of capital.

**Investment policy** The fund invests, directly or indirectly, at least 70% of total net assets in equities of companies from India.

Specifically, these investments are in companies located, or that do most of their business, in India.

The fund may invest up to 30% of total net assets in equities not meeting the criteria of the fund's primary investments, and other types of securities, such as preference shares and convertible bonds.

Non-base currency exposure may be partially or fully hedged to the base currency of the fund.

See also "Permitted assets, techniques and transactions" on page 177.

**Derivatives and techniques** The fund may use derivatives for reducing risks (hedging) and costs only.

In addition to core derivatives (see "How the Funds Use Instruments and Techniques"), the fund may use total return swaps (TRSs).

**TRS usage** 0% of total net assets expected, 15% maximum.

**Securities lending** 0% of total net assets expected, 33% maximum.

**Strategy** In actively managing the fund, the investment manager uses fundamental analysis to build a concentrated portfolio of companies that appear to have attractive valuations or above-average growth potential (bottom-up approach). The fund is not benchmark-constrained and its performance may deviate significantly from that of the benchmark.

**Sustainability approach** The investment process takes into account information about ESG issues when making investment decisions. The investment manager focuses on engaging company management around corporate governance practices and on environmental or social issues that it deems to be materially important.

In making investment decisions, the investment manager does not consider the EU criteria for environmentally sustainable economic activities for the purpose of the Taxonomy Regulation.

**SFDR product category** Article 6.

**Benchmark(s)** See the Key Information Document for information on the benchmark that is used for performance comparison. See page 175 for usage definitions.

**Fund base currency** USD.

## Main Risks

The risks below are divided according to how frequent (but not necessarily how significant) their effect may be on the fund. These are only the main risks, not a comprehensive listing. See "Risk Descriptions" on page 167 for more information.

### Risks typically associated with ordinary conditions

- Concentration
- Convertible bonds
- Country risk — India
- Credit
- Currency
- Depositary receipt
- Derivatives
- Emerging markets
- Equities
- ESG/sustainability
- Hedging
- Investment fund
- Management
- Market

### Risks typically associated with unusual conditions or unpredictable events

- Circumstantial liquidity
- Counterparty and collateral
- Operational and cyber, incl. securities techniques
- Standard practices
- Tax change

**Risk monitoring approach** Commitment.

## Planning your Investment

**Investor profile** Investors who understand the risks of the fund and plan to invest for the long term.

The fund may appeal to investors who:

- are looking for long-term investment growth
- seek income whether in the form of capital appreciation or distributions
- are interested in exposure to emerging equity markets, either for a core investment or for diversification
- accept the risks associated with this type of investment

**Processing requests** Requests to buy, exchange and sell shares that are received and accepted by the transfer agent by 1:00 PM CET on any dealing day are ordinarily processed the same day, at a NAV calculated using market values from that day.

Settlement occurs within 3 business days after a request has been accepted.

### Fees (%)

Main share class	Max. one-time fees		Annual fees			
	Entry	CDSC	Management	Administration	Distribution	Max. emerging mkt custody
A	5.75	—	1.60	0.19	—	0.05
B	—	4.00 <sup>1</sup>	1.60	0.19	1.00	0.05
C	3.00	1.00 <sup>2</sup>	2.40	0.19	—	0.05
F	—	—	0.75	0.19	—	0.05
I	3.00	—	0.75	0.14	—	0.05
J	—	—	—	0.14	—	0.05
S	—	—	0.75	0.10	—	0.05
Z	1.00	—	0.75	0.10	—	0.05

<sup>1</sup>Contingent deferred sales charge applies to shares sold within 4 years of purchase and decreases yearly by 1%. After 4 years these shares automatically convert into class A shares.

<sup>2</sup>Contingent deferred sales charge applies to shares sold within 1 year of purchase.

Hedged share classes also pay a hedging fee of maximum 0.03%. For more about fees and expenses, see "Fund Fees and Costs" on page 200. For a current and complete list of available share classes, go to [morganstanleyinvestmentfunds.com](https://www.morganstanleyinvestmentfunds.com).

# International Resilience Fund

## Investment Objective and Policy

**Objective** To seek an attractive long-term rate of return, measured in USD.

**Investment policy** The fund primarily invests (at least 70% of total net assets) in equity securities, including depository receipts (including American Depositary Receipts (ADRs) and Global Depositary Receipts (GDRs) of companies from developed and emerging markets outside of the US.

An issuer is considered to be from a particular country (including the US for purposes of the International Resilience Fund) or geographic region if: (i) its principal securities trading market is in that country or geographic region; (ii) alone or on a consolidated basis it derives 50% or more of its annual revenue or profits from goods produced, sales made or services performed in that country or geographic region or has at least 50% of its assets, core business operations and/or employees in that country or geographic region; or (iii) it is organised under the laws of, or has a principal office in, that country or geographic region. By applying these criteria, it is possible that a particular issuer could be deemed to be from more than one country or geographic region.

The fund may also invest, on an ancillary basis (up to 30% of total net assets), in preference shares, debt securities convertible into common shares or preference shares, warrants on securities and other equity linked securities to gain exposure to companies in developed and emerging markets, as well as equities of emerging market companies and China A-shares (through Stock Connect). The fund may invest up to 10% of its net assets in China A-shares (through Stock Connect).

See also "Permitted assets, techniques and transactions" on page 177.

**Derivatives and techniques** The fund may use derivatives for reducing risks (hedging) only.

The fund may use core derivatives only (see "How the Funds Use Instruments and Techniques").

**TRS usage and securities lending** None.

**Strategy** The investment manager seeks to invest in high quality companies that can generate high returns on operating capital by identifying companies with strong franchises typically underpinned by strong, hard to replicate intangible assets (including brands, networks, licences and patents) and pricing power, resulting in high gross margins. The investment manager also seeks to identify capable management teams able to allocate capital effectively to grow the franchise, maintain the intangible assets and sustain or improve returns on operating capital.

The fund is actively managed and is not designed to track a benchmark. The management of the fund is not constrained by the composition of a benchmark.

**Sustainability approach** As an essential and integrated part of the investment process, the investment manager assesses relevant factors material to long-term sustainably high returns on operating capital including ESG factors and seeks to engage with companies as part of this. Subject to the fund's investment objective, the investment manager 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 manager considers material risks or opportunities in any of the ESG areas which could threaten or enhance the high returns on operating capital of a company.

In making investment decisions, the investment manager does not consider the EU criteria for environmentally sustainable economic activities for the purpose of the Taxonomy Regulation.

SFDR product category Article 6.

**Benchmark(s)** See the Key Information Document for information on the benchmark that is used for performance comparison. See page 175 for usage definitions.

**Fund base currency** USD.

## Main Risks

The risks below are divided according to how frequent (but not necessarily how significant) their effect may be on the fund. These are only the main risks, not a comprehensive listing. See "Risk Descriptions" on page 167 for more information.

### Risks typically associated with ordinary conditions

- Concentration
- Convertible bonds
- Country risk — China
- Credit
- Currency
- Depository receipt
- Derivatives
- Emerging markets
- Equities
- ESG/sustainability
- Eurozone
- Hedging
- Investment fund
- Management
- Market

### Risks typically associated with unusual conditions or unpredictable events

- Circumstantial liquidity
- Counterparty and collateral
- Operational and cyber
- Standard practices
- Tax change

**Risk monitoring approach** Commitment.

## Planning your Investment

**Investor profile** Investors who understand the risks of the fund and plan to invest for the medium term.

The fund may appeal to investors who:

- seek to invest in equities
- seek capital appreciation over the medium term
- seek income whether in the form of capital appreciation or distributions
- accept the risks associated with this type of investment

**Processing requests** Requests to buy, exchange and sell shares that are received and accepted by the transfer agent by 1:00 PM CET on any dealing day are ordinarily processed the same day, at a NAV calculated using market values from that day.

Settlement occurs within 3 business days after a request has been accepted.

## Fees (%)

Main share class	Max. one-time fees		Annual fees		
	Entry	CDSC	Management	Adminis-tration	Distribution
A	5.75	—	1.60	0.19	—
B	—	4.00 <sup>1</sup>	1.60	0.19	1.00
C	3.00	1.00 <sup>2</sup>	2.40	0.19	—
F	—	—	0.75	0.19	—
I	3.00	—	0.75	0.14	—
J	—	—	—	0.14	—
S	—	—	0.75	0.10	—
Z	1.00	—	0.75	0.10	—

<sup>1</sup> Contingent deferred sales charge applies to shares sold within 4 years of purchase and decreases yearly by 1%. After 4 years these shares automatically convert into class A shares.

<sup>2</sup> Contingent deferred sales charge applies to shares sold within 1 year of purchase.

Hedged share classes also pay a hedging fee of maximum 0.03%. For more about fees and expenses, see "Fund Fees and Costs" on page 200. For a current and complete list of available share classes, go to [morganstanleyinvestmentfunds.com](https://www.morganstanleyinvestmentfunds.com).

# Japanese Equity Fund

## Investment Objective and Policy

**Objective** To increase the value of your investment over the long term, mainly through growth of capital, while outperforming the benchmark for sustainability scores.

**Investment policy** The fund invests at least 70% of total net assets in equities of companies in Japan.

Specifically, these investments are in companies located, or that do most of their business, in Japan.

The fund may invest up to 30% of total net assets in equities not meeting the criteria of the fund's primary investments, and other types of securities, such as preference shares and convertible bonds.

Non-base currency exposure may be partially or fully hedged to the base currency of the fund.

See also "Permitted assets, techniques and transactions" on page 177.

**Derivatives and techniques** The fund may use derivatives for reducing risks (hedging) and costs only.

The fund intends to use core derivatives only (see "How the Funds Use Instruments and Techniques").

*TRS usage and securities lending* None.

**Strategy** In actively managing the fund, the investment manager uses fundamental analysis to identify companies that appear to have attractive valuations (bottom-up approach). The fund is not benchmark-constrained and its performance may deviate significantly from that of the benchmark.

**Sustainability approach** The investment manager integrates the consideration of ESG issues in its investment decision-making. The investment manager applies proprietary assessment and scoring methodologies on the equities the fund may invest in. Additionally as part of the investment manager's bottom-up, fundamental research process, and in its engagements with companies, the investment manager incorporates an assessment of sustainability-related risks into the assessment process to determine impacts on the value of a security or portfolio. These criteria may include, but are not limited to ESG themes such as climate change, human rights and diversity, health and safety, governance, and disclosure, which the investment manager considers as material ESG issues. The investment manager focuses on engaging company management on health and safety, human resources, misconduct and other factors, subject to specific engagement from each company, based on material ESG issues. Companies are scored based on the expectation for improvement and how the company's ESG activities may improve corporate value.

The investment manager monitors business practices on an ongoing basis, through data on ESG controversies and standards screening sourced from third party providers. The investment manager will exclude controversy cases that it views as being very severe based on ratings by relevant ESG data providers.

The investment manager will monitor core sustainability indicators, including ESG assessments from third party providers in order to measure and evaluate the contribution of the securities to the ESG themes described above. The indicators will be measured and evaluated at on a quarterly basis.

Investments shall not knowingly include any company whose revenue is equal or superior to the following percentages:

- civilian firearms (5%) and controversial weapons, including intended use components (0%)
- thermal coal extraction (10%) and coal-based power generation (10%)
- adult entertainment (5%) and gambling activities (5%)
- manufacture of tobacco products, including the supply of key components such as filters (5%)

Further to the above, the investment manager may, in its discretion, select to apply additional ESG-related investment restrictions over time that it believes are consistent with its investment objectives.

The details of exclusions can be found on the SICAV's [website](#).

The exclusions are determined by the investment manager'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 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 manager, 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 manager 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 manager using reasonable estimates or third party data.

*SFDR product category* Article 8.

For more information on sustainability, see the fund's sustainability annex and the "Sustainable Investing" section on page 175.

**Benchmark(s)** MSCI Japan Index, used for sustainability scoring comparison. See the Key Information Document for information on the benchmark that is used for performance comparison. See page 175 for usage definitions.

**Fund base currency** JPY.

## Main Risks

The risks below are divided according to how frequent (but not necessarily how significant) their effect may be on the fund. These are only the main risks, not a comprehensive listing. See "Risk Descriptions" on page 167 for more information.

### Risks typically associated with ordinary conditions

- Convertible bonds
- Credit
- Derivatives
- Equities
- ESG/sustainability
- Hedging
- Investment fund
- Management
- Market

### Risks typically associated with unusual conditions or unpredictable events

- Circumstantial liquidity
- Counterparty and collateral
- Operational and cyber
- Standard practices
- Tax change

**Risk monitoring approach** Commitment.

## Planning your Investment

**Investor profile** Investors who understand the risks of the fund and plan to invest for the long term.

The fund may appeal to investors who:

- are looking for long-term investment growth
- seek income whether in the form of capital appreciation or distributions
- are interested in exposure to developed equity markets, either for a core investment or for diversification
- accept the risks associated with this type of investment

**Processing requests** Requests to buy, exchange and sell shares that are received and accepted by the transfer agent by 1:00 PM CET on any dealing day are ordinarily processed the same day, at a NAV calculated using market values from that day.

Settlement occurs within 3 business days after a request has been accepted.

*Continues on next page.*

**Fees (%)**

Main share class	Max. one-time fees		Annual fees		
	Entry	CDSC	Management	Adminis- tration	Distribution
A	5.75	—	1.40	0.19	—
B	—	4.00 <sup>1</sup>	1.40	0.19	1.00
C	3.00	1.00 <sup>2</sup>	2.20	0.19	—
F	—	—	0.75	0.19	—
I	3.00	—	0.75	0.14	—
J	—	—	—	0.14	—
S	—	—	0.75	0.10	—
Z	1.00	—	0.75	0.10	—

<sup>1</sup>Contingent deferred sales charge applies to shares sold within 4 years of purchase and decreases yearly by 1%. After 4 years these shares automatically convert into class A shares.

<sup>2</sup>Contingent deferred sales charge applies to shares sold within 1 year of purchase.

Hedged share classes also pay a hedging fee of maximum 0.03%. For more about fees and expenses, see "Fund Fees and Costs" on page 200. For a current and complete list of available share classes, go to [morganstanleyinvestmentfunds.com](http://morganstanleyinvestmentfunds.com).

# Japanese Small Cap Equity Fund

## Investment Objective and Policy

**Objective** To increase the value of your investment over the long term, mainly through growth of capital.

**Investment policy** The fund invests at least 70% of total net assets in equities of small capitalisation companies in Japan.

Specifically, these investments are in companies located, or that do most of their business, in Japan. Small cap companies are determined by the benchmark.

The fund may invest up to 30% of total net assets in equities not meeting the criteria of the fund's primary investments, and other types of securities, such as preference shares and convertible bonds.

Non-base currency exposure may be partially or fully hedged to the base currency of the fund.

See also "Permitted assets, techniques and transactions" on page 177.

**Derivatives and techniques** The fund may use derivatives for reducing risks (hedging) and costs only.

The fund intends to use core derivatives only (see "How the Funds Use Instruments and Techniques").

*TRS usage and securities lending* None.

**Strategy** In actively managing the fund, the investment manager uses fundamental analysis to identify companies that appear to have attractive valuations or above-average growth potential (bottom-up approach). The fund is not benchmark-constrained and its performance may deviate significantly from that of the benchmark.

In making investment decisions, the investment manager does not consider the EU criteria for environmentally sustainable economic activities for the purpose of the Taxonomy Regulation.

*SFDR product category* Article 6.

**Benchmark(s)** MSCI Japan Small Cap Index, used for portfolio design indication. See the Key Information Document for information on the benchmark that is used for performance comparison. See page 175 for usage definitions.

**Fund base currency** JPY.

## Main Risks

The risks below are divided according to how frequent (but not necessarily how significant) their effect may be on the fund. These are only the main risks, not a comprehensive listing. See "Risk Descriptions" on page 167 for more information.

### Risks typically associated with ordinary conditions

- Convertible bonds
- Credit
- Derivatives
- Equities
- ESG/sustainability
- Hedging

- Investment fund
- Management
- Market
- Small and mid-cap equity

### Risks typically associated with unusual conditions or unpredictable events

- Circumstantial liquidity
- Counterparty and collateral
- Operational and cyber
- Standard practices
- Tax change

**Risk monitoring approach** Commitment.

## Planning your Investment

**Investor profile** Investors who understand the risks of the fund and plan to invest for the long term.

The fund may appeal to investors who:

- are looking for long-term investment growth
- seek income whether in the form of capital appreciation or distributions
- are interested in exposure to developed equity markets, either for a core investment or for diversification
- accept the risks associated with this type of investment

**Processing requests** Requests to buy, exchange and sell shares that are received and accepted by the transfer agent by 1:00 PM CET on any dealing day are ordinarily processed the same day, at a NAV calculated using market values from that day.

Settlement occurs within 3 business days after a request has been accepted.

### Fees (%)

Main share class	Max. one-time fees		Annual fees		
	Entry	CDSC	Management	Adminis-tration	Distribution
A	5.75	—	1.90	0.19	—
B	—	4.00 <sup>1</sup>	1.90	0.19	1.00
C	3.00	1.00 <sup>2</sup>	2.50	0.19	—
F	—	—	0.75	0.19	—
I	3.00	—	0.75	0.14	—
J	—	—	0.45	0.14	—
S	—	—	0.75	0.10	—
Z	1.00	—	0.75	0.10	—

<sup>1</sup>Contingent deferred sales charge applies to shares sold within 4 years of purchase and decreases yearly by 1%. After 4 years these shares automatically convert into class A shares.

<sup>2</sup>Contingent deferred sales charge applies to shares sold within 1 year of purchase.

Hedged share classes also pay a hedging fee of maximum 0.03%. For more about fees and expenses, see "Fund Fees and Costs" on page 200. For a current and complete list of available share classes, go to [morganstanleyinvestmentfunds.com](https://www.morganstanleyinvestmentfunds.com).

# NextGen Emerging Markets Fund

## Investment Objective and Policy

**Objective** To increase the value of your investment over the long term, mainly through growth of capital.

**Investment policy** The fund invests at least 70% of total net assets in equities of emerging and frontier market companies.

Specifically, these investments are in companies located in:

- emerging or frontier markets as determined by MSCI Emerging Markets Net Index or MSCI Frontier Emerging Markets Index
- upcoming developing countries whose capital markets have been traditionally overlooked by foreign investors or are in early stages of capital market and economic development, including countries that the IMF, UN or the World Bank generally consider to be less economically mature than developed nations and are not part of the MSCI Emerging Markets Net Index or MSCI Frontier Emerging Markets Index

These investments may include equity-related securities, such as American and global depositary receipts.

The fund may invest up to 30% of total net assets in equities not meeting the criteria of the fund's primary investments, and other types of securities, such as preference shares and convertible bonds.

The fund may invest in, or be exposed to, the following, up to the percentage of total net assets indicated:

- China-A shares: 20%

Non-base currency exposure may be partially or fully hedged to the base currency of the fund.

See also "Permitted assets, techniques and transactions" on page 177.

**Derivatives and techniques** The fund may use derivatives for reducing risks (hedging) and costs, and for investment purposes.

In addition to core derivatives (see "How the Funds Use Instruments and Techniques"), the fund may use total return swaps (TRSs).

*TRS usage* 0% of total net assets expected, 15% maximum.

*Securities lending* 0% of total net assets expected, 33% maximum.

**Strategy** In actively managing the fund, the investment manager uses fundamental analysis to identify companies that appear to have above-average growth potential with a focus on overlooked areas of frontier and emerging markets. The fund seeks to identify the next generation of investment ideas and secular themes based on growth potential, consumer demand and large addressable markets, yet which remain underinvested by global equity investors (top-down and bottom-up approach). The fund is not benchmark-constrained and its performance may deviate significantly from that of the benchmark.

**Sustainability approach** The investment manager integrates the consideration of ESG criteria in its investment decision-making, including in the conduct of due diligence and research, investment valuation, asset selection, portfolio construction, and ongoing investment monitoring and portfolio management. In doing so, the investment manager 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 manager may sell or trim 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 manager may utilise a combination of information sources, including company-disclosed information, non-company disclosed information, and third party research and data.

ESG criteria are considered by the investment manager during both the investment and research process to select investments which limit exposure to sustainability risks. These criteria may include, but are not limited to carbon emissions, resource management, biodiversity, labour management, diversity (for example, board

diversity), health and safety, product safety, data privacy and security, executive remuneration, board independence and shareholder rights.

The investment manager believes companies with forward-looking management teams that establish proactive strategies on ESG issues will be better positioned from a business and financial perspective over the long term than companies that do not consider them. The fund will invest in companies that follow good governance practices and that exhibit strong management of materially important environmental and social factors relative to peers. The fund will seek to exclude certain companies that are highly exposed to sustainability risks, applying a best effort approach to its investment selection in this regard. 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 investment manager focuses on engaging company management on what it deems to be materially important governance, environmental and/or social issues facing a company.

The application of the above ESG criteria will result in a 20% or more reduction of the investible universe. The aim of the investment manager will be to ensure that at least 90% of the fund's portfolio is subject to the analysis of ESG criteria described above.

Additionally, the fund seeks to achieve a lower carbon footprint than the MSCI Frontier Emerging Markets Index (based on available third party data).

Investments shall not knowingly include the following companies:

- whose core business is fossil fuels, thermal coal mining extraction, thermal coal-based power generation, adult entertainment or tobacco
- with more than 5% revenue from Arctic oil and gas, oil sands, and gambling
- with any exposure to civilian firearms or controversial weapons.

For the purposes of the above, a core business activity is one that accounts for more than 10% of the relevant company's revenue as classified by MSCI.

Further to the above, the investment manager may, in its discretion, select to apply additional ESG-related investment restrictions over time that it believes are consistent with its investment objectives. The details of exclusions can be found in the fund's exclusion policy which is available on the SICAV's [website](#). The exclusions are determined using third party data except on rare occasions where the data is proven to be incorrect. 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 manager 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 due to the application of the ESG criteria will be sold. Such sales will take place over a time period to be determined by the investment manager, 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 manager 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 manager using reasonable estimates or third party data.

*SFDR product category* Article 8.

For more information on sustainability, see the fund's sustainability annex and the "Sustainable Investing" section on page 175.

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**Benchmark(s)** MSCI Frontier Emerging Markets Index, used for sustainability indicator comparison and portfolio design indication. MSCI Emerging Markets Net Index, used for portfolio design indication. See the Key Information Document for information on the benchmark that is used for performance comparison. See page 175 for usage definitions.

**Fund base currency** EUR.

## Main Risks

The risks below are divided according to how frequent (but not necessarily how significant) their effect may be on the fund. These are only the main risks, not a comprehensive listing. See "Risk Descriptions" on page 167 for more information.

### Risks typically associated with ordinary conditions

- Convertible bonds
- Credit
- Currency
- Depositary receipt
- Derivatives
- Emerging markets
- Equities
- ESG/sustainability
- Eurozone
- Hedging
- Investment fund
- Management
- Market

### Risks typically associated with unusual conditions or unpredictable events

- Circumstantial liquidity
- Counterparty and collateral, incl. securities techniques
- Operational and cyber
- Standard practices
- Tax change

**Risk monitoring approach** Commitment.

## Planning your Investment

**Investor profile** Investors who understand the risks of the fund and plan to invest for the long term.

The fund may appeal to investors who:

- are looking for long-term investment growth
- seek income whether in the form of capital appreciation or distributions
- are interested in exposure to emerging equity markets, either for a core investment or for diversification
- accept the risks associated with this type of investment

**Processing requests** Requests to buy, exchange and sell shares that are received and accepted by the transfer agent by 1:00 PM CET on any dealing day are ordinarily processed the same day, at a NAV calculated using market values from that day.

Settlement occurs within 3 business days after a request has been accepted.

### Fees (%)

Main share class	Max. one-time fees		Annual fees			
	Entry	CDSC	Management	Administration	Distribution	Max. emerging mkt custody
A	5.75	—	1.60	0.19	—	0.05
B	—	4.00 <sup>1</sup>	1.60	0.19	1.00	0.05
C	3.00	1.00 <sup>2</sup>	2.40	0.19	—	0.05
F	—	—	1.10	0.19	—	0.05
I	3.00	—	1.10	0.14	—	0.05
J	—	—	—	0.14	—	0.05
S	—	—	1.10	0.10	—	0.05
Z	1.00	—	1.10	0.10	—	0.05

<sup>1</sup>Contingent deferred sales charge applies to shares sold within 4 years of purchase and decreases yearly by 1%. After 4 years these shares automatically convert into class A shares.

<sup>2</sup>Contingent deferred sales charge applies to shares sold within 1 year of purchase.

Hedged share classes also pay a hedging fee of maximum 0.03%. For more about fees and expenses, see "Fund Fees and Costs" on page 200. For a current and complete list of available share classes, go to [morganstanleyinvestmentfunds.com](http://morganstanleyinvestmentfunds.com).

# Parametric Global Defensive Equity Fund

## Investment Objective and Policy

**Objective** To provide a defensive equity exposure that is expected to provide favourable risk adjusted performance relative to the MSCI All Country World Index in USD Net (base).

**Investment policy** The fund generates returns through the receipt of option premiums as well as returns on the equity index positions held and cash equivalents held. In this regard, the fund will sell equity index call options in respect of UCITS eligible equity indices which cumulatively will provide an exposure to the markets which are similar to those comprised in the MSCI All Country World Index in USD Net (base) and will sell equity index put options in respect of UCITS eligible equity indices which cumulatively will provide an exposure to the markets which are similar to those comprised in the MSCI All Country World Index in USD Net (base). Thus, the fund's investment policy is designed to capitalise on volatility risk premium.

The fund will invest in a base portfolio that is generally comprised of: (i) equity index positions normally comprised of regulated equity index UCITS ETFs; and (ii) cash equivalents, which will consist primarily of US fixed income securities, rated investment grade, and with a maximum remaining maturity of one year or less. The fund will generally have an equal exposure to (i) and (ii) (ie. 50% of the fund's Net Asset Value is intended to be invested in each of (i) and (ii)), however, the base portfolio will be rebalanced periodically where the exposure deviates from the above intended exposure by more than 5% (i.e. where exposure to (i) or (ii) falls below 45% of the fund's Net Asset Value or above 55% of the fund's Net Asset Value).

Each such UCITS ETF or money market funds will not charge annual management fees in excess of 3% of its net asset value and will be domiciled in the EEA, the United Kingdom, the United States, Guernsey, Jersey or the Isle of Man.

The fund may also invest, on an ancillary basis (up to 30% of total net assets), in equities not meeting the criteria of the fund's primary investments, investment grade fixed income securities, warrants on securities, as well as in regulated equity index ETFs which are alternative investment funds (AIFs) but which are UCITS eligible and exchange traded equity index futures contracts.

See also "Permitted assets, techniques and transactions" on page 177.

**Derivatives and techniques** The fund may use derivatives for reducing risks (hedging) and costs, and for investment purposes.

The fund intends to use core derivatives only (see "How the Funds Use Instruments and Techniques").

*TRS usage and securities lending* None.

**Strategy** The fund will be actively managed and is not designed to track the MSCI All Country World Index in USD Net (base) except to the extent that the ETFs in which the fund will invest will be selected so as to provide exposure to the markets similar to those comprised in the MSCI All Country World Index in USD Net (base).

**Sustainability approach** The investment manager does not integrate sustainability risks into its investment decisions as they are not relevant given the investment strategy of the fund.

In making investment decisions, the investment manager does not consider the EU criteria for environmentally sustainable economic activities for the purpose of the Taxonomy Regulation.

*SFDR product category* Article 6.

**Benchmark(s)** MSCI All Country World Index in USD Net (base), used for volatility comparison. 50% MSCI All Country World Index in USD Net (base) and 50% of the ICE Bank of America Merrill Lynch 0-3 Month US Treasury Bill Index, used for performance comparison. See page 175 for usage definitions.

**Fund base currency** USD.

## Main Risks

The risks below are divided according to how frequent (but not necessarily how significant) their effect may be on the fund. These are only the main risks, not a comprehensive listing. See "Risk Descriptions" on page 167 for more information.

### Risks typically associated with ordinary conditions

- Credit
- Currency
- Derivatives
- Emerging markets
- Equities
- ESG/sustainability
- Eurozone
- Hedging
- Investment fund
- Leverage
- Management
- Market
- Real estate investment
- Volatility strategies

### Risks typically associated with unusual conditions or unpredictable events

- Circumstantial liquidity
- Counterparty and collateral
- Default
- Operational and cyber
- Standard practices
- Tax change

**Risk monitoring approach** Commitment.

## Planning your Investment

**Investor profile** Investors who understand the risks of the fund and plan to invest for the long term.

The fund may appeal to investors who:

- seek to invest in equities
- seek capital appreciation over the long term
- seek income whether in the form of capital appreciation or distributions
- accept the risks associated with this type of investment

**Tax eligibility** The fund qualifies under the German Investment Tax 2018 (GITA) as an equity fund and at least 25% of the fund's NAV will be invested on an ongoing basis in transferable equities that are authorised for official trading on a stock exchange or included in an organised market.

**Processing requests** Requests to buy, exchange and sell shares that are received and accepted by the transfer agent by 1:00 PM CET on any dealing day are ordinarily processed the same day, at a NAV calculated using market values from that day.

Settlement occurs within 3 business days after a request has been accepted.

## Fees (%)

Main share class	Max. one-time fees		Annual fees		
	Entry	CDSC	Management	Administration	Distribution
A	5.75	—	1.15	0.19	—
B	—	4.00 <sup>1</sup>	1.15	0.19	1.00
C	3.00	1.00 <sup>2</sup>	1.50	0.19	—
F	—	—	0.45	0.19	—
I	3.00	—	0.45	0.14	—
J	—	—	—	0.14	—
S	—	—	0.45	0.10	—
Z	1.00	—	0.45	0.10	—

<sup>1</sup>Contingent deferred sales charge applies to shares sold within 4 years of purchase and decreases yearly by 1%. After 4 years these shares automatically convert into class A shares.

<sup>2</sup>Contingent deferred sales charge applies to shares sold within 1 year of purchase.

Hedged share classes also pay a hedging fee of maximum 0.03%. For more about fees and expenses, see "Fund Fees and Costs" on page 200. For a current and complete list of available share classes, go to [morganstanleyinvestmentfunds.com](https://www.morganstanleyinvestmentfunds.com).

# Saudi Equity Fund

## Investment Objective and Policy

**Objective** To increase the value of your investment over the long term, mainly through growth of capital.

**Investment policy** The fund invests at least 70% of total net assets in equities of companies from Saudi Arabia.

Specifically, these investments are in companies that are listed, or are preparing an initial public offering, on the Saudi Stock Exchange (the Tadawul), and may include smaller companies (those with a market value of less than SAR 1 billion). These investments may also include eligible closed-end real estate investment trusts (REITs).

The fund may invest up to 30% of total net assets in equities not meeting the criteria of the fund's primary investments, and other types of securities, such as preference shares and convertible bonds.

The fund may invest in, or be exposed to, the following, up to the percentage of total net assets indicated:

- closed-end real estate investment trusts (REITs) listed, or preparing an initial public offering, on the Tadawul: 20%

Non-base currency exposure may be partially or fully hedged to the base currency of the fund.

See also "Permitted assets, techniques and transactions" on page 177.

**Derivatives and techniques** The fund may use derivatives for reducing risks (hedging) and costs, and for investment purposes.

The fund intends to use core derivatives only (see "How the Funds Use Instruments and Techniques").

**TRS usage** None.

**Securities lending** 0% of total net assets expected, 33% maximum.

**Strategy** In actively managing the fund, the investment manager combines market and fundamental analysis to identify companies whose securities appear undervalued relative to book value and long-term potential earnings (bottom-up approach). The fund is not benchmark-constrained and its performance may deviate significantly from that of the benchmark.

In making investment decisions, the investment manager does not consider the EU criteria for environmentally sustainable economic activities for the purpose of the Taxonomy Regulation.

**SFDR product category** Article 6.

**Benchmark(s)** See the Key Information Document for information on the benchmark that is used for performance comparison. See page 175 for usage definitions.

**Fund base currency** USD.

## Main Risks

The risks below are divided according to how frequent (but not necessarily how significant) their effect may be on the fund. These are only the main risks, not a comprehensive listing. See "Risk Descriptions" on page 167 for more information.

### Risks typically associated with ordinary conditions

- Concentration
- Country risk — Saudi Arabia

- Currency
- Derivatives
- Emerging markets
- Equities
- ESG/sustainability
- Hedging
- Infrastructure
- Investment fund
- Management
- Market
- Real estate investment
- Small- and mid-cap equity

### Risks typically associated with unusual conditions or unpredictable events

- Circumstantial liquidity
- Counterparty and collateral, incl. securities techniques
- Operational and cyber
- Standard practices
- Tax change

**Risk monitoring approach** Commitment.

## Planning your Investment

**Investor profile** Investors who understand the risks of the fund and plan to invest for the long term.

The fund may appeal to investors who:

- are looking for long-term investment growth
- are interested in exposure to emerging equity markets, either for a core investment or for diversification
- accept the risks associated with this type of investment

**Processing requests** Requests to buy, exchange and sell shares that are received and accepted by the transfer agent by 1:00 PM CET on any dealing day are ordinarily processed the same day, at a NAV calculated using market values from that day (note that Fridays are not considered a dealing day).

Converting or exchanging shares out of the fund is not permitted.

As there is no settlement on Fridays and days that are USD and SAR currency holidays, settlement occurs within 5 business days after a request has been accepted.

### Fees (%)

Main share class	Max. one-time fees		Annual fees			
	Entry	CDSC	Management	Administration	Distribution	Max. emerging mkt custody
A	5.75	—	1.90	0.19	—	0.25
B	—	4.00 <sup>1</sup>	1.90	0.19	1.00	0.25
C	3.00	1.00 <sup>2</sup>	2.50	0.19	—	0.25
F	—	—	0.75	0.19	—	0.25
I	3.00	—	0.75	0.14	—	0.25
J	—	—	0.40	0.14	—	0.25
S	—	—	—	0.10	—	0.25
Z	1.00	—	0.75	0.10	—	0.25

<sup>1</sup>Contingent deferred sales charge applies to shares sold within 4 years of purchase and decreases yearly by 1%. After 4 years these shares automatically convert into class A shares.

<sup>2</sup>Contingent deferred sales charge applies to shares sold within 1 year of purchase.

Hedged share classes also pay a hedging fee of maximum 0.03%. For more about fees and expenses, see "Fund Fees and Costs" on page 200. For a current and complete list of available share classes, go to [morganstanleyinvestmentfunds.com](https://www.morganstanleyinvestmentfunds.com).

# Sustainable Asia Equity Fund

## Investment Objective and Policy

**Objective** To increase the value of your investment over the long term, mainly through growth of capital.

**Investment policy** The fund invests at least 70% of total net assets in equities of Asian companies, including in emerging markets, that provide solutions in relation to sustainability issues such as climate change, natural capital, human capital and infrastructure.

Specifically, these investments are in companies located, or that do most of their business, in Asia (excluding Japan). These investments may include equity-related securities, such as American, European and global depository receipts, and eligible closed-end real estate investment trusts (REITs).

The fund may invest up to 30% of total net assets in equities not meeting the criteria of the fund's primary investments, and other types of securities, such as preference shares and convertible bonds.

The fund may invest in, or be exposed to, the following, up to the percentage of total net assets indicated:

- China A-shares (through Stock Connect): 20%

Non-base currency exposure may be partially or fully hedged to the base currency of the fund.

See also "Permitted assets, techniques and transactions" on page 177.

**Derivatives and techniques** The fund may use derivatives for reducing risks (hedging) and costs only.

In addition to core derivatives (see "How the Funds Use Instruments and Techniques"), the fund may use total return swaps (TRSs).

*TRS usage* 0% of total net assets expected, 15% maximum.

*Securities lending* 1% of total net assets expected, 33% maximum.

**Strategy** In actively managing the fund, the investment manager uses macroeconomic and fundamental analysis to identify companies that appear to benefit from sustainable economic development in countries they operate in and have above-average growth potential (top-down and bottom-up approach). The fund is not benchmark-constrained and its performance may deviate significantly from that of the benchmark.

**Sustainability approach** In relation to this fund, "sustainable" means that the investment manager integrates the consideration of sustainable themes and ESG criteria in its investment decision-making. The fund will invest in companies from Asia (excluding Japan region markets) that positively contribute to and/or address one or more sustainability themes including but not limited to:

- responsible energy transition
- sustainable production and circular economy
- improved access, affordability and sustainable economic growth
- decent work and innovation

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 All Country Asia ex-Japan Net Index.

The investment manager believes companies with forward-looking management teams that establish proactive strategies on 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. 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 investment manager 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 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 be focused on companies that are positively contributing to the sustainable development of countries in Asia excluding Japan and will seek to exclude certain companies that are highly exposed to sustainability risks. Up to 10% of the fund's portfolio may consist of assets that are not subject to the sustainability analysis described above.

ESG criteria are considered by the investment manager 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. These criteria may include, but are not limited to carbon emissions, water scarcity, waste management, biodiversity, labour management, gender diversity, health and safety, product safety, data privacy and security, executive remuneration, board independence and shareholder rights. The investment manager 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.

The application of these ESG criteria should result in a 20% or more reduction of the investible universe.

Investments shall not knowingly include:

- companies whose core business, as defined by 10% of revenues, is thermal coal mining extraction, thermal coal-based power generation, adult entertainment, fossil fuels, tobacco or alcohol
- companies with more than 5% revenue from Arctic oil and gas, oil sands, and gambling
- companies with any exposure to civilian firearms or controversial weapons

Further to the above, the investment manager may, in its discretion, select to apply additional ESG-related investment restrictions over time that it believes are consistent with its investment objectives. The details of exclusions can be found in the fund's exclusion policy which is available on the SICAV's [website](#). The exclusions are determined using third party data except on rare occasions where the data is proven to be incorrect. The exclusions criteria are applied to all equity investments within the fund based on available data from third parties. The exclusion criteria will not be applied to investments in which the investment manager 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 due to the application of the ESG criteria will be sold. Such sales will take place over a time period to be determined by the investment manager, 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 manager 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 manager using reasonable estimates or third party data.

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The investment manager 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 manager 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 manager 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 manager may utilise a combination of information sources, including company disclosed information, non-company disclosed information, and third party research and data.

SFDR product category Article 8.

For more information on sustainability, see the fund's sustainability annex and the "Sustainable Investing" section on page 175.

**Benchmark(s)** MSCI All Country Asia ex-Japan Net Index, used for sustainability indicator comparison. See the Key Information Document for information on the benchmark that is used for performance comparison. See page 175 for usage definitions.

**Fund base currency** USD.

## Main Risks

The risks below are divided according to how frequent (but not necessarily how significant) their effect may be on the fund. These are only the main risks, not a comprehensive listing. See "Risk Descriptions" on page 167 for more information.

### Risks typically associated with ordinary conditions

- Convertible bonds
- Country risk — China
- Credit
- Currency
- Depositary receipt
- Derivatives
- Emerging markets
- Equities
- ESG/sustainability
- Eurozone
- Hedging
- Investment fund
- Management
- Market
- Real estate investment

### Risks typically associated with unusual conditions or unpredictable events

- Circumstantial liquidity
- Counterparty and collateral, incl. securities techniques
- Operational and cyber
- Standard practices
- Tax change

**Risk monitoring approach** Commitment.

## Planning your Investment

**Investor profile** Investors who understand the risks of the fund and plan to invest for the long term.

The fund may appeal to investors who:

- are looking for long-term investment growth
- seek income whether in the form of capital appreciation or distributions
- are interested in exposure to emerging equity markets, either for a core investment or for diversification
- accept the risks associated with this type of investment

**Processing requests** Requests to buy, exchange and sell shares that are received and accepted by the transfer agent by 1:00 PM CET on any dealing day are ordinarily processed the same day, at a NAV calculated using market values from that day.

Settlement occurs within 3 business days after a request has been accepted.

### Fees (%)

Main share class	Max. one-time fees		Annual fees			
	Entry	CDSC	Management	Administration	Distribution	Max. emerging mkt custody
A	5.75	—	1.40	0.19	—	0.05
B	—	4.00 <sup>1</sup>	1.40	0.19	1.00	0.05
C	3.00	1.00 <sup>2</sup>	2.20	0.19	—	0.05
F	—	—	0.75	0.19	—	0.05
I	3.00	—	0.75	0.14	—	0.05
J	—	—	—	0.14	—	0.05
S	—	—	0.75	0.10	—	0.05
Z	1.00	—	0.75	0.10	—	0.05

<sup>1</sup>Contingent deferred sales charge applies to shares sold within 4 years of purchase and decreases yearly by 1%. After 4 years these shares automatically convert into class A shares.

<sup>2</sup>Contingent deferred sales charge applies to shares sold within 1 year of purchase.

Hedged share classes also pay a hedging fee of maximum 0.03%. For more about fees and expenses, see "Fund Fees and Costs" on page 200. For a current and complete list of available share classes, go to [morganstanleyinvestmentfunds.com](http://morganstanleyinvestmentfunds.com).

# Sustainable Emerging Markets Equity Fund

## Investment Objective and Policy

**Objective** To increase the value of your investment over the long term, mainly through growth of capital.

**Investment policy** The fund invests at least 70% of total net assets in equities of companies in emerging markets.

Specifically, these investments are in companies located in emerging market countries (as defined by the MSCI Emerging Markets Net Index), or in developed market countries (as defined by MSCI World Index), but that are primarily traded in, or derive at least half of their revenue from, or have half of assets, core business operations or employees, in emerging markets. These investments may include equity-linked securities located in developed markets that provide exposure to emerging markets such as depositary receipts.

The fund may invest up to 30% of total net assets in equities not meeting the criteria of the fund's primary investments, and other types of securities, such as preference shares and convertible bonds.

The fund may invest in, or be exposed to, the following, up to the percentage of total net assets indicated:

- China A-shares (through Stock Connect): 20%

In unusual economic, financial or political conditions, the fund may temporarily adopt a defensive approach by reducing its holdings in emerging market equities to below 50% and investing in securities such as developed market equities and bonds.

Non-base currency exposure may be partially or fully hedged to the base currency of the fund.

See also "Permitted assets, techniques and transactions" on page 177.

**Derivatives and techniques** The fund may use derivatives for reducing risks (hedging) and costs only.

In addition to core derivatives (see "How the Funds Use Instruments and Techniques"), the fund may use total return swaps (TRSs).

*TRS usage* 0% of total net assets expected, 15% maximum.

*Securities lending* 1% of total net assets expected, 33% maximum.

**Strategy** In actively managing the fund, the investment manager first uses macroeconomic analysis to identify emerging market countries with highest economic growth prospects. It then uses fundamental analysis to identify companies that appear to benefit from, or contribute to, sustainable economic development in countries they operate in and have above-average growth potential (top-down and growth-oriented bottom-up approach). The fund is not benchmark-constrained and its performance may deviate significantly from that of the emerging market benchmark.

**Sustainability approach** In relation to this fund, "sustainable" means that the investment manager integrates the consideration of sustainable themes and ESG criteria in its investment decision-making.

In targeting its investment objective, the investment manager will consider ESG criteria (as detailed below) in order to invest in companies that:

- perform better than their peers on ESG risks or on one or more sustainability themes (as detailed below) and
- are positioned to benefit from, and/or contribute to, the sustainable development of the countries in which they operate based on the investment manager's ESG criteria

The application of these ESG criteria should result in a 20% or more reduction of the investible universe. The aim of the investment manager will be to ensure that at least 90% of the fund's portfolio is subject to the sustainability analysis described above.

ESG criteria may include, but are not limited to, ESG risks such as carbon emissions, resource management, waste management, biodiversity, labour management, gender diversity, health and safety, product safety, data privacy and security, executive remuneration, board independence and shareholders rights. Sustainability themes may include, but are not limited to:

- responsible energy transition
- sustainable production and circular economy

- improved access, affordability and sustainable economic growth
- decent work and innovation

The fund seeks to achieve a lower carbon footprint than the MSCI Emerging Markets Net Index 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 manager 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. Therefore, 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 investment manager 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. In this connection, the fund will be focused on companies that are positively contributing to the sustainable development of emerging market countries, applying a best effort approach to its investment selection in this regard. 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.

Investments shall not knowingly include:

- companies whose core business, as defined by 10% of revenues, is thermal coal mining extraction, thermal coal-based power generation, adult entertainment, fossil fuels, tobacco or alcohol
- companies with more than 5% revenue from Arctic oil and gas, oil sands, and gambling
- companies with any exposure to civilian firearms or controversial weapons

Further to the above, the investment manager may, in its discretion, select to apply additional ESG-related investment restrictions over time that it believes are consistent with its investment objectives. The details of exclusions can be found in the fund's exclusion policy which is available on the SICAV's [website](#). The exclusions are determined using third party data except on rare occasions where the data is proven to be incorrect. The exclusions criteria are applied to all equity investments within the fund based on available data from third parties. The exclusion criteria will not be applied to investments in which the investment manager 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 due to the application of the ESG criteria will be sold. Such sales will take place over a time period to be determined by the investment manager, 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 manager 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 manager using reasonable estimates or third party data.

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The investment manager 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 manager 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 manager 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 manager may utilise a combination of information sources, including company disclosed information, non-company disclosed information, and third party research and data.

SFDR product category Article 8.

For more information on sustainability, see the fund's sustainability annex and the "Sustainable Investing" section on page 175.

**Benchmark(s)** MSCI Emerging Markets Net Index, used for sustainability indicator comparison and portfolio design indication. MSCI World Index, used for portfolio design indication. See the Key Information Document for information on the benchmark that is used for performance comparison. See page 175 for usage definitions.

**Fund base currency** USD.

## Main Risks

The risks below are divided according to how frequent (but not necessarily how significant) their effect may be on the fund. These are only the main risks, not a comprehensive listing. See "Risk Descriptions" on page 167 for more information.

### Risks typically associated with ordinary conditions

- Convertible bonds
- Country risk — China
- Credit
- Currency
- Derivatives
- Depository receipt
- Emerging markets
- Equities
- ESG/sustainability
- Eurozone
- Hedging
- Investment fund
- Management
- Market

### Risks typically associated with unusual conditions or unpredictable events

- Circumstantial liquidity
- Counterparty and collateral, incl. securities techniques
- Operational and cyber
- Standard practices
- Tax change

**Risk monitoring approach** Commitment.

## Planning your Investment

**Investor profile** Investors who understand the risks of the fund and plan to invest for the long term.

The fund may appeal to investors who:

- are looking for long-term investment growth
- seek income whether in the form of capital appreciation or distributions
- are interested in exposure to emerging equity markets, either for a core investment or for diversification
- accept the risks associated with this type of investment

**Processing requests** Requests to buy, exchange and sell shares that are received and accepted by the transfer agent by 1:00 PM CET on any dealing day are ordinarily processed the same day, at a NAV calculated using market values from that day.

Settlement occurs within 3 business days after a request has been accepted.

### Fees (%)

Main share class	Max. one-time fees		Annual fees			
	Entry	CDSC	Management	Administration	Distribution	Max. emerging mkt custody
A	5.75	—	1.60	0.19	—	0.05
B	—	4.00 <sup>1</sup>	1.60	0.19	1.00	0.05
C	3.00	1.00 <sup>2</sup>	2.40	0.19	—	0.05
F	—	—	1.10	0.19	—	0.05
I	3.00	—	1.10	0.14	—	0.05
J	—	—	—	0.14	—	0.05
S	—	—	1.10	0.10	—	0.05
Z	1.00	—	1.10	0.10	—	0.05

<sup>1</sup>Contingent deferred sales charge applies to shares sold within 4 years of purchase and decreases yearly by 1%. After 4 years these shares automatically convert into class A shares.

<sup>2</sup>Contingent deferred sales charge applies to shares sold within 1 year of purchase.

Hedged share classes also pay a hedging fee of maximum 0.03%. For more about fees and expenses, see "Fund Fees and Costs" on page 200. For a current and complete list of available share classes, go to [morganstanleyinvestmentfunds.com](http://morganstanleyinvestmentfunds.com).

# Tailwinds Fund

## Investment Objective and Policy

**Objective** To seek long-term capital appreciation (measured in USD).

**Investment policy** The fund primarily invests (at least 70% of total net assets) in equity securities, including depositary receipts (including American Depositary Receipts (ADRs) and Global Depositary Receipts (GDRs)), of companies located in the US with capitalisations within the range of companies included in the Russell 1000 Index.

The fund may also invest, on an ancillary basis (up to 30% of total net assets), in equity securities not meeting the criteria of the fund's primary investments, including those of issuers located in emerging markets and China A-Shares (through Stock Connect), debt securities convertible into common shares, preference shares, warrants and other equity linked instruments. The fund may invest up to 10% of its net assets in China A-Shares (through Stock Connect).

See also "Permitted assets, techniques and transactions" on page 177.

**Derivatives and techniques** The fund may use derivatives for reducing risks (hedging) and costs, and for investment purposes.

In addition to core derivatives (see "How the Funds Use Instruments and Techniques"), the fund may use total return swaps (TRSs).

**TRS usage** 0% of total net assets expected, 15% maximum.

**Securities lending** 5% of total net assets expected, 33% maximum.

**Strategy** The investment process will emphasise a bottom-up stock selection process seeking attractive investments on an individual company basis. In selecting securities for investment, the investment manager typically invests in companies it believes have strategies that are aligned with and support positive environmental or social trends Tailwinds (as defined below). These companies are expected to benefit from sustainability-related business activities in the form of enhanced growth rates, profitability, or competitive advantages. The investment manager will seek to identify companies by, among other things, analysing the degree to which their revenue and/or investment spending in the form of capital expenditures is aligned with benefits to people, planet, and systems, as well as create financial value. The fund is actively managed, not designed to track a benchmark, and therefore not constrained by the composition of a benchmark.

**Sustainability approach** The investment manager actively integrates sustainability into the investment process by using ESG factors as a lens for additional fundamental research, which can contribute to investment decision-making. The investment manager seeks to understand how environmental and social initiatives within companies can create value by strengthening durable competitive advantages, creating growth opportunities, driving profitability, and/or aligning with secular growth trends. The investment manager generally engages with companies to discuss their ESG practices, with the aim of identifying how sustainability themes present opportunities and risks that can be material to the value of the security over the long-term. Other aspects of the investment process include a proprietary, systematic evaluation of governance policies, specifically focusing on compensation alignment on long-term value creation.

The investment manager defines a Tailwind as a business activity or market opportunity that aligns with a sustainability-related benefit to people (such as Economic Empowerment; Health; Access Democratization or Inclusive Communities), planet (such as Resource Efficiency or Downstream Efficiency) or systems (such as Data Security; Effective Institutions; Stakeholder Cultures or Structural Longtermism). At least 50% of the fund's investments will have a material revenue or capital expenditure alignment (10% or greater) with at least one of the ten Tailwinds above, as identified by investment manager based on available quantitative and qualitative information.

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

- tobacco
- coal
- weapons, comprising civilian firearms, cluster munitions and anti-personnel mines

The details of the above exclusions can be found in the fund's exclusion policy which is available on the SICAV's [website](#). Further to the above, the investment manager may, in its discretion, elect to apply additional investment restrictions over time that it believes are consistent with its investment objectives. The details of the above exclusions can be found in the fund's exclusion policy which is available on the SICAV's [website](#). Investments that are held by the fund but become restricted after they are acquired for the fund will be sold. Such sales take place over a time period to be determined by the investment manager, taking into account the best interests of the shareholders of the fund.

**SFDR product category** Article 8.

For more information on sustainability, see the fund's sustainability annex and the "Sustainable Investing" section on page 175.

**Benchmark(s)** Russel 1000 Index, used for portfolio design indication. See the Key Information Document for information on the benchmark that is used for performance comparison.

**Fund base currency** USD.

## Main Risks

The risks below are divided according to how frequent (but not necessarily how significant) their effect may be on the fund. These are only the main risks, not a comprehensive listing. See "Risk Descriptions" on page 167 for more information.

### Risks typically associated with ordinary conditions

- Convertible bonds
- Country risk — China
- Credit
- Currency
- Depositary receipt
- Derivatives
- Emerging markets
- Equities
- ESG/sustainability
- Eurozone
- Hedging
- Investment fund
- Management
- Market
- Real estate investment
- SPAC

### Risks typically associated with unusual conditions or unpredictable events

- Circumstantial liquidity
- Counterparty and collateral, incl. securities techniques
- Operational and cyber
- Standard practices
- Tax change

**Risk monitoring approach** Commitment.

## Planning your Investment

**Investor profile** Investors who understand the risks of the fund and plan to invest for the long term.

The fund may appeal to investors who:

- seek to invest in equities
- seek capital appreciation over the long term
- seek income whether in the form of capital appreciation or distributions
- accept the risks associated with this type of investment

**Processing requests** Requests to buy, exchange and sell shares that are received and accepted by the transfer agent by 1:00 PM CET on any dealing day are ordinarily processed the same day, at a NAV calculated using market values from that day.

Settlement occurs within 3 business days after a request has been accepted.

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**Fees (%)**

Main share class	Max. one-time fees		Annual fees		
	Entry	CDSC	Management	Adminis-tration	Distribution
A	5.75	—	1.75	0.19	—
B	—	4.00 <sup>1</sup>	1.75	0.19	1.00
C	3.00	1.00 <sup>2</sup>	2.35	0.19	—
F	—	—	0.70	0.19	—
I	3.00	—	0.70	0.14	—
J	—	—	0.45	0.14	—
S	—	—	0.70	0.10	—
Z	1.00	—	0.70	0.10	—

<sup>1</sup>Contingent deferred sales charge applies to shares sold within 4 years of purchase and decreases yearly by 1%. After 4 years these shares automatically convert into class A shares.

<sup>2</sup>Contingent deferred sales charge applies to shares sold within 1 year of purchase.

Hedged share classes also pay a hedging fee of maximum 0.03%. For more about fees and expenses, see "Fund Fees and Costs" on page 200. For a current and complete list of available share classes, go to [morganstanleyinvestmentfunds.com](http://morganstanleyinvestmentfunds.com).

# US Advantage Fund

## Investment Objective and Policy

**Objective** To seek long-term capital appreciation (measured in USD).

**Investment policy** The fund primarily invests (at least 70% of total net assets) in securities issued by US companies and on an ancillary basis in securities issued by companies that are not from the US. An issuer may be considered to be from a particular country (including the US) or geographic region if (i) its principal securities trading market is in that country or geographic region; (ii) alone or on a consolidated basis it derives 50% or more of its annual revenue from goods produced, sales made or services performed in that country or geographic region; or (iii) it is organised under the laws of, or has a principal office in, that country or geographic region. By applying these tests, it is possible that a particular issuer could be deemed to be from more than one country or geographic region. Under normal market conditions, the fund's investment objective will be pursued by investing primarily in equities of established large-capitalisation companies.

The fund may also be invested, on an ancillary basis (up to 30% of total net assets), in equities of companies not meeting the above requirements, debt securities convertible into common shares, depositary receipts (including American Depositary Receipts (ADRs) and Global Depositary Receipts (GDRs)), preference shares, warrants on securities, China A-shares (through Stock Connect), cash equivalents and other equity linked securities. The fund may invest in shares of special purpose acquisition companies (SPACs) and up to 10% of its net assets in China A-shares (through Stock Connect).

See also "Permitted assets, techniques and transactions" on page 177.

**Derivatives and techniques** The fund may use derivatives for reducing risks (hedging) and costs, and for investment purposes.

In addition to core derivatives (see "How the Funds Use Instruments and Techniques"), the fund may use total return swaps (TRSs).

*TRS usage* 0% of total net assets expected, 15% maximum.

*Securities lending* 1% of total net assets expected, 33% maximum.

**Strategy** The investment process will emphasise a bottom-up stock selection process, seeking attractive investments on an individual company basis. In selecting securities for investment, the investment manager typically invests in companies it believes have strong name recognition and sustainable competitive advantages with above average business visibility, the ability to deploy capital at high rates of return, strong balance sheets and an attractive risk/reward. The fund is actively managed, not designed to track a benchmark, and therefore not constrained by the composition of a benchmark.

**Sustainability approach** The investment manager actively integrates sustainability into the investment process by using ESG factors as a lens for additional fundamental research, which can contribute to investment decision-making. The investment manager seeks to understand how environmental and social initiatives within companies can create value by strengthening durable competitive advantages, creating growth opportunities, driving profitability, and/or aligning with secular growth trends. The investment manager generally engages with companies to discuss their ESG practices, with the aim of identifying how sustainability themes present opportunities and risks that can be material to the value of the security over the long-term. Other aspects of the investment process include a proprietary, systematic evaluation of governance policies, specifically focusing on compensation alignment on long-term value creation.

Specifically, investments shall not knowingly include any company whose primary business activity involves the following:

- tobacco

- coal
- weapons, including civilian firearms, cluster munitions and anti-personnel mines

Further to the above, the investment manager may, in its discretion, select to apply additional ESG-related investment restrictions over time that it believes are consistent with its investment objectives. The details of exclusions can be found in the fund's exclusion policy which is available on the SICAV's [website](#). Investments that are held by the fund but become restricted after they are acquired due to the application of the ESG criteria will be sold. Such sales will take place over a time period to be determined by the investment manager, taking into account the best interests of the shareholders of the fund.

*SFDR product category* Article 8.

For more information on sustainability, see the fund's sustainability annex and the "Sustainable Investing" section on page 175.

**Benchmark(s)** See the Key Information Document for information on the benchmark that is used for performance comparison. See page 175 for usage definitions.

**Fund base currency** USD.

## Main Risks

The risks below are divided according to how frequent (but not necessarily how significant) their effect may be on the fund. These are only the main risks, not a comprehensive listing. See "Risk Descriptions" on page 167 for more information.

### Risks typically associated with ordinary conditions

- Convertible bonds
- Country risk — China
- Credit
- Currency
- Depositary receipt
- Derivatives
- Emerging markets
- Equities
- ESG/sustainability
- Eurozone
- Hedging
- Investment fund
- Management
- Market
- SPAC

### Risks typically associated with unusual conditions or unpredictable events

- Circumstantial liquidity
- Counterparty and collateral, incl. securities techniques
- Operational and cyber
- Standard practices
- Tax change

**Risk monitoring approach** Commitment.

## Planning your Investment

**Investor profile** Investors who understand the risks of the fund and plan to invest for the medium term.

The fund may appeal to investors who:

- seek to invest in equities
- seek capital appreciation over the medium term
- seek income whether in the form of capital appreciation or distributions
- accept the risks associated with this type of investment

**Processing requests** Requests to buy, exchange and sell shares that are received and accepted by the transfer agent by 1:00 PM CET on any dealing day are ordinarily processed the same day, at a NAV calculated using market values from that day.

Settlement occurs within 3 business days after a request has been accepted.

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**Fees (%)**

Main share class	Max. one-time fees		Annual fees		
	Entry	CDSC	Management	Adminis- tration	Distribution
A	5.75	—	1.40	0.19	—
B	—	4.00 <sup>1</sup>	1.40	0.19	1.00
C	3.00	1.00 <sup>2</sup>	2.20	0.19	—
F	—	—	0.70	0.19	—
I	3.00	—	0.70	0.14	—
J	—	—	—	0.14	—
S	—	—	0.70	0.10	—
Z	1.00	—	0.70	0.10	—

<sup>1</sup>Contingent deferred sales charge applies to shares sold within 4 years of purchase and decreases yearly by 1%. After 4 years these shares automatically convert into class A shares.

<sup>2</sup>Contingent deferred sales charge applies to shares sold within 1 year of purchase.

Hedged share classes also pay a hedging fee of maximum 0.03%. For more about fees and expenses, see "Fund Fees and Costs" on page 200. For a current and complete list of available share classes, go to [morganstanleyinvestmentfunds.com](http://morganstanleyinvestmentfunds.com).

# US Core Equity Fund

## Investment Objective and Policy

**Objective** To increase the value of your investment over the long term, mainly through growth of capital.

**Investment policy** The fund invests at least 70% of total net assets in equities of US medium and large capitalisation companies.

Specifically, these investments are in companies located in the US. These investments may include equity-related securities, such as American and global depositary receipts, and eligible closed-end real estate investment trusts (REITs).

The fund may invest up to 30% of total net assets in equities not meeting the criteria of the fund's primary investments, and other types of securities, such as preference shares and convertible bonds.

Non-base currency exposure may be partially or fully hedged to the base currency of the fund.

See also "Permitted assets, techniques and transactions" on page 177.

**Derivatives and techniques** The fund may use derivatives for reducing risks (hedging) and costs, and for investment purposes.

The fund intends to use core derivatives only (see "How the Funds Use Instruments and Techniques").

*TRS usage and securities lending* None.

**Strategy** In actively managing the fund, the investment manager sets asset allocations based on quantitative analysis of value, growth, momentum and quality, then uses fundamental analysis to select individual companies and build a highly concentrated portfolio (top-down and bottom-up approach). The fund is not benchmark-constrained and its performance may deviate significantly from that of the benchmark.

In making investment decisions, the investment manager does not consider the EU criteria for environmentally sustainable economic activities for the purpose of the Taxonomy Regulation.

*SFDR product category* Article 6.

**Benchmark(s)** See the Key Information Document for information on the benchmark that is used for performance comparison. See page 175 for usage definitions.

**Fund base currency** USD.

## Main Risks

The risks below are divided according to how frequent (but not necessarily how significant) their effect may be on the fund. These are only the main risks, not a comprehensive listing. See "Risk Descriptions" on page 167 for more information.

### Risks typically associated with ordinary conditions

- Convertible bonds
- Credit
- Depositary receipt
- Derivatives

- Equities
- ESG/sustainability
- Hedging
- Investment fund
- Management
- Market
- Real estate investment

### Risks typically associated with unusual conditions or unpredictable events

- Circumstantial liquidity
- Counterparty and collateral
- Operational and cyber
- Standard practices
- Tax change

**Risk monitoring approach** Commitment.

## Planning your Investment

**Investor profile** Investors who understand the risks of the fund and plan to invest for the medium term.

The fund may appeal to investors who:

- are looking for medium-term investment growth
- seek income whether in the form of capital appreciation or distributions
- are interested in exposure to developed equity markets, either for a core investment or for diversification
- accept the risks associated with this type of investment

**Processing requests** Requests to buy, exchange and sell shares that are received and accepted by the transfer agent by 1:00 PM CET on any dealing day are ordinarily processed the same day, at a NAV calculated using market values from that day.

Settlement occurs within 3 business days after a request has been accepted.

### Fees (%)

Main share class	Max. one-time fees		Annual fees		
	Entry	CDSC	Management	Administration	Distribution
A	5.75	—	1.10	0.19	—
B	—	4.00 <sup>1</sup>	1.10	0.19	1.00
C	3.00	1.00 <sup>2</sup>	1.50	0.19	—
F	—	—	0.45	0.19	—
I	3.00	—	0.45	0.14	—
J	—	—	—	0.14	—
S	—	—	0.45	0.10	—
Z	1.00	—	0.45	0.10	—

<sup>1</sup> Contingent deferred sales charge applies to shares sold within 4 years of purchase and decreases yearly by 1%. After 4 years these shares automatically convert into class A shares.

<sup>2</sup> Contingent deferred sales charge applies to shares sold within 1 year of purchase.

Hedged share classes also pay a hedging fee of maximum 0.03%. For more about fees and expenses, see "Fund Fees and Costs" on page 200. For a current and complete list of available share classes, go to [morganstanleyinvestmentfunds.com](https://morganstanleyinvestmentfunds.com).

# US Focus Property Fund

## Investment Objective and Policy

**Objective** To increase the value of your investment over the long term, mainly through growth of capital.

**Investment policy** The fund invests, directly or indirectly through funds, at least 70% of total net assets in equities of US companies in the real estate industry and related businesses.

Specifically, these investments are in companies located in the US and may include property-related collective investment vehicles, such as publicly quoted property unit trusts and closed-ended real estate investment trusts (REITs), and equity-related securities, such as American and global depositary receipts.

The fund may invest up to 30% of total net assets in equities not meeting the criteria of the fund's primary investments, and other types of securities, such as preference shares and convertible bonds.

Non-base currency exposure may be partially or fully hedged to the base currency of the fund.

See also "Permitted assets, techniques and transactions" on page 177.

**Derivatives and techniques** The fund may use derivatives for reducing risks (hedging) and costs, and for investment purposes.

The fund intends to use core derivatives only (see "How the Funds Use Instruments and Techniques").

*TRS usage* None.

*Securities lending* 0% of total net assets expected, 33% maximum.

**Strategy** In actively managing the fund, the investment manager uses fundamental analysis to build a concentrated portfolio of companies whose securities may offer the best value relative to their underlying assets and earnings or have above-average growth potential (bottom-up approach). The investment manager also considers forecasted fundamental inflections and macroeconomic risk factors in the portfolio construction process (top-down approach). The fund is not benchmark-constrained and its performance may deviate significantly from that of the benchmark.

**Sustainability approach** The investment manager actively integrates sustainability into the investment process by assessing key ESG risks and opportunities in the bottom-up stock selection process primarily by leveraging third party ESG providers to assess and quantify ESG performance for issuers, supplementing third party research with proprietary research conducted by the investment manager including utilising a framework for assessing and quantifying risks and opportunities related to ESG which results in a quantitative adjustment to valuation estimates, and through engagements with company management to discuss ESG-related strengths, weaknesses, and opportunities in an effort to effect positive change within the industry. Key ESG topics may include, but are not limited to: energy usage and renewables, water usage, emissions, diversity and gender equality, labour and human rights, employee and tenant health, wellness and safety and company ESG governance and disclosure.

In an effort to drive positive change and encourage companies to improve their performance on material ESG issues, the investment manager may approach company management with competitive insights, financially sound business cases and practical solutions to potentially improve their real estate operations. While ESG considerations are an integrated and fundamental part of the investment process, they are only one of several key determinants used by the investment manager to determine if an investment will be made or size adjusted in the overall portfolio.

Investments shall not knowingly include any company whose primary business activity in any of the following is more than 10% of company revenue:

- owning or operating real estate used for for-profit prisons
- owning or operating real estate used to manufacture cannabis
- manufacturing or production of tobacco
- manufacturing or production of coal mining
- manufacturing or production of controversial weapons and civilian firearms

- manufacturing or production of Arctic oil and gas

Investments shall not knowingly include the following companies that:

- have a notable controversy related to their operations and/or products, where the severity of the social or environmental impact of the controversy, is judged by the investment manager
- fail to comply with the UN Global Compact or the ILO Fundamental Principles, without material remediation and improvement
- do not have at least one female board member

The investment manager references third party ESG data and its own proprietary research during the security research process. The investment manager will review controversy cases (such as the exclusions noted above) that it views as being very severe using ratings by relevant ESG data providers and internal research. However, in some cases data on specific issuers or the exclusions noted above may not be readily available and/or may be estimated by the investment manager using reasonable estimates.

*SFDR product category* Article 8.

For more information on sustainability, see the fund's sustainability annex and the "Sustainable Investing" section on page 175.

**Benchmark(s)** See the Key Information Document for information on the benchmark that is used for performance comparison. See page 175 for usage definitions.

**Fund base currency** USD.

## Main Risks

The risks below are divided according to how frequent (but not necessarily how significant) their effect may be on the fund. These are only the main risks, not a comprehensive listing. See "Risk Descriptions" on page 167 for more information.

### Risks typically associated with ordinary conditions

- Concentration
- Convertible bonds
- Credit
- Depositary receipt
- Derivatives
- Equities
- ESG/sustainability
- Eurozone
- Investment fund
- Management
- Market
- Real estate investment

### Risks typically associated with unusual conditions or unpredictable events

- Circumstantial liquidity
- Counterparty and collateral, incl. securities techniques
- Operational and cyber
- Standard practices
- Tax change

**Risk monitoring approach** Commitment.

## Planning your Investment

**Investor profile** Investors who understand the risks of the fund and plan to invest for the long term.

The fund may appeal to investors who:

- are looking for long-term investment growth
- seek income whether in the form of capital appreciation or distributions
- are interested in exposure to developed real estate markets, either for a core investment or for diversification
- accept the risks associated with this type of investment

**Processing requests** Requests to buy, exchange and sell shares that are received and accepted by the transfer agent by 1:00 PM CET on any dealing day are ordinarily processed the same day, at a NAV calculated using market values from that day.

Settlement occurs within 3 business days after a request has been accepted.

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**Fees (%)**

Main share class	Max. one-time fees		Annual fees		
	Entry	CDSC	Management	Adminis-tration	Distribution
A	5.75	—	1.75	0.19	—
B	—	4.00 <sup>1</sup>	1.75	0.19	1.00
C	3.00	1.00 <sup>2</sup>	2.35	0.19	—
F	—	—	0.70	0.19	—
I	3.00	—	0.70	0.14	—
J	—	—	0.40	0.14	—
S	—	—	0.70	0.10	—
Z	1.00	—	0.70	0.10	—

<sup>1</sup>Contingent deferred sales charge applies to shares sold within 4 years of purchase and decreases yearly by 1%. After 4 years these shares automatically convert into class A shares.

<sup>2</sup>Contingent deferred sales charge applies to shares sold within 1 year of purchase.

Hedged share classes also pay a hedging fee of maximum 0.03%. For more about fees and expenses, see "Fund Fees and Costs" on page 200. For a current and complete list of available share classes, go to [morganstanleyinvestmentfunds.com](http://morganstanleyinvestmentfunds.com).

# US Growth Fund

## Investment Objective and Policy

**Objective** To seek long-term capital appreciation (measured in USD).

**Investment policy** The fund primarily invests (at least 70% of total net assets) in securities issued by US companies and on an ancillary basis in securities issued by companies that are not from the US. An issuer may be considered to be from a particular country (including the US) or geographic region if (i) its principal securities trading market is in that country or geographic region; (ii) alone or on a consolidated basis it derives 50% or more of its annual revenue from goods produced, sales made or services performed in that country or geographic region; or (iii) it is organised under the laws of, or has a principal office in, that country or geographic region. By applying these tests, it is possible that a particular issuer could be deemed to be from more than one country or geographic region. Under normal market conditions, the fund's investment objective will be pursued by investing primarily in equities of high quality growth oriented companies.

The fund may also invest, on an ancillary basis (up to 30% of total net assets), in equities of companies not meeting the above requirements, debt securities convertible into common shares, depositary receipts (including American Depositary Receipts (ADRs) and Global Depositary Receipts (GDRs)), preference shares, warrants on securities, China A-shares (through Stock Connect), cash equivalents and other equity linked securities. The fund may invest in shares of special purpose acquisition companies (SPACs) and up to 10% of its net assets in China A-shares (through Stock Connect).

See also "Permitted assets, techniques and transactions" on page 177.

**Derivatives and techniques** The fund may use derivatives for reducing risks (hedging) and costs, and for investment purposes.

In addition to core derivatives (see "How the Funds Use Instruments and Techniques"), the fund may use total return swaps (TRSs).

**TRS usage** 0% of total net assets expected, 15% maximum.

**Securities lending** 2% of total net assets expected, 33% maximum.

**Strategy** The investment process will emphasise a bottom-up stock selection process, seeking attractive investments on an individual company basis. In selecting securities for investment, the investment manager typically invests in unique companies it believes have sustainable competitive advantages with above average business visibility, the ability to deploy capital at high rates of return, strong balance sheets and an attractive risk/reward. Individual security selection will be emphasised. The fund is actively managed, not designed to track a benchmark, and therefore not constrained by the composition of a benchmark.

**Sustainability approach** The investment manager actively integrates sustainability into the investment process by using ESG factors as a lens for additional fundamental research, which can contribute to investment decision-making. The investment manager seeks to understand how environmental and social initiatives within companies can create value by strengthening durable competitive advantages creating growth opportunities, driving profitability, and/or aligning with secular growth trends. The investment manager generally engages with companies to discuss their ESG practices, with the aim of identifying how sustainability themes present opportunities and risks that can be material to the value of the security over the long-term. Other aspects of the investment process include a proprietary, systematic evaluation of governance policies, specifically focusing on compensation alignment on long-term value creation.

Specifically, investments shall not knowingly include any company whose primary business activity involves the following:

- tobacco

- coal
- weapons, including civilian firearms, cluster munitions and anti-personnel mines

Further to the above, the investment manager may, in its discretion, elect to apply additional investment restrictions over time that it believes are consistent with its investment objectives. The details of the above exclusions can be found in the fund's exclusion policy which is available on the SICAV's [website](#). 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 manager, taking into account the best interests of the shareholders of the fund.

**SFDR product category** Article 8.

For more information on sustainability, see the fund's sustainability annex and the "Sustainable Investing" section on page 175.

**Benchmark(s)** See the Key Information Document for information on the benchmark that is used for performance comparison. See page 175 for usage definitions.

**Fund base currency** USD.

## Main Risks

The risks below are divided according to how frequent (but not necessarily how significant) their effect may be on the fund. These are only the main risks, not a comprehensive listing. See "Risk Descriptions" on page 167 for more information.

### Risks typically associated with ordinary conditions

- Convertible bonds
- Country risk — China
- Credit
- Currency
- Depositary receipt
- Derivatives
- Emerging markets
- Equities
- ESG/sustainability
- Eurozone
- Hedging
- Investment fund
- Management
- Market
- SPAC

### Risks typically associated with unusual conditions or unpredictable events

- Circumstantial liquidity
- Counterparty and collateral, incl. securities techniques
- Operational and cyber
- Standard practices
- Tax change

**Risk monitoring approach** Commitment.

## Planning your Investment

**Investor profile** Investors who understand the risks of the fund and plan to invest for the long term.

The fund may appeal to investors who:

- seek to invest in equities
- seek capital appreciation over the long term
- seek income whether in the form of capital appreciation or distributions
- accept the risks associated with this type of investment

**Processing requests** Requests to buy, exchange and sell shares that are received and accepted by the transfer agent by 1:00 PM CET on any dealing day are ordinarily processed the same day, at a NAV calculated using market values from that day.

Settlement occurs within 3 business days after a request has been accepted.

*Continues on next page.*

**Fees (%)**

Main share class	Max. one-time fees		Annual fees		
	Entry	CDSC	Management	Adminis- tration	Distribution
A	5.75	—	1.40	0.19	—
B	—	4.00 <sup>1</sup>	1.40	0.19	1.00
C	3.00	1.00 <sup>2</sup>	2.20	0.19	—
F	—	—	0.70	0.19	—
I	3.00	—	0.70	0.14	—
J	—	—	—	0.14	—
S	—	—	0.70	0.10	—
Z	1.00	—	0.70	0.10	—

<sup>1</sup>Contingent deferred sales charge applies to shares sold within 4 years of purchase and decreases yearly by 1%. After 4 years these shares automatically convert into class A shares.

<sup>2</sup>Contingent deferred sales charge applies to shares sold within 1 year of purchase.

Hedged share classes also pay a hedging fee of maximum 0.03%. For more about fees and expenses, see "Fund Fees and Costs" on page 200. For a current and complete list of available share classes, go to [morganstanleyinvestmentfunds.com](http://morganstanleyinvestmentfunds.com).



# US Insight Fund

## Investment Objective and Policy

**Objective** To seek long-term capital appreciation (measured in USD).

**Investment policy** The fund primarily invests (at least 70% of total net assets) in securities issued by US companies and on an ancillary basis in securities issued by companies that are not from the US. An issuer may be considered to be from a particular country (including the US) or geographic region if (i) its principal securities trading market is in that country or geographic region; (ii) alone or on a consolidated basis it derives 50% or more of its annual revenue from goods produced, sales made or services performed in that country or geographic region; or (iii) it is organised under the laws of, or has a principal office in, that country or geographic region. By applying these tests, it is possible that a particular issuer could be deemed to be from more than one country or geographic region. Under normal market conditions, the fund's investment objective will be pursued by investing primarily in equities of established and emerging companies.

The fund may also invest on an ancillary basis (up to 30% of total net assets), in equities of companies not meeting the above requirements, debt securities convertible into common shares, depositary receipts (including American Depositary Receipts (ADRs) and Global Depositary Receipts (GDRs)), preference shares, warrants on securities, China A-shares (through Stock Connect), cash equivalents and other equity linked securities. The fund may invest in shares of special purpose acquisition companies (SPACs) and up to 10% of its net assets in China A-shares (through Stock Connect).

See also "Permitted assets, techniques and transactions" on page 177.

**Derivatives and techniques** The fund may use derivatives for reducing risks (hedging) and costs, and for investment purposes.

The fund intends to use core derivatives only (see "How the Funds Use Instruments and Techniques").

*TRS usage* None.

*Securities lending* 4% of total net assets expected, 33% maximum.

**Strategy** The investment process will emphasise a bottom-up stock selection process, seeking attractive investments on an individual company basis. In selecting securities for investment, the investment manager typically invests in unique companies it believes have sustainable competitive advantages with above average business visibility, the ability to deploy capital at high rates of return, strong balance sheets and an attractive risk/reward. Individual security selection will be emphasised. The fund is actively managed, not designed to track a benchmark, and therefore not constrained by the composition of a benchmark.

**Sustainability approach** The investment manager actively integrates sustainability into the investment process by using ESG factors as a lens for additional fundamental research, which can contribute to investment decision-making. The investment manager seeks to understand how environmental and social initiatives within companies can create value by strengthening durable competitive advantages, creating growth opportunities, driving profitability, and/or aligning with secular growth trends. The investment manager generally engages with companies to discuss their ESG practices, with the aim of identifying how sustainability themes present opportunities and risks that can be material to the value of the security over the long-term. Other aspects of the investment process include a proprietary, systematic evaluation of governance policies, specifically focusing on compensation alignment on long-term value creation.

Specifically, investments shall not knowingly include any company whose primary business activity involves the following:

- tobacco

- coal
- weapons, including civilian firearms, cluster munitions and anti-personnel mines

Further to the above, the investment manager may, in its discretion, elect to apply additional investment restrictions over time that it believes are consistent with its investment objectives. The details of the above exclusions can be found in the fund's exclusion policy which is available on the SICAV's [website](#). 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 manager, taking into account the best interests of the shareholders of the fund.

*SFDR product category* Article 8.

For more information on sustainability, see the fund's sustainability annex and the "Sustainable Investing" section on page 175.

**Benchmark(s)** See the Key Information Document for information on the benchmark that is used for performance comparison. See page 175 for usage definitions.

**Fund base currency** USD.

## Main Risks

The risks below are divided according to how frequent (but not necessarily how significant) their effect may be on the fund. These are only the main risks, not a comprehensive listing. See "Risk Descriptions" on page 167 for more information.

### Risks typically associated with ordinary conditions

- Convertible bonds
- Country risk — China
- Credit
- Currency
- Depositary receipt
- Derivatives
- Emerging markets
- Equities
- ESG/sustainability
- Hedging
- Investment fund
- Management
- Market
- SPAC

### Risks typically associated with unusual conditions or unpredictable events

- Circumstantial liquidity
- Counterparty and collateral, incl. securities techniques
- Operational and cyber
- Standard practices
- Tax change

**Risk monitoring approach** Commitment.

## Planning your Investment

**Investor profile** Investors who understand the risks of the fund and plan to invest for the medium term.

The fund may appeal to investors who:

- seek to invest in equities
- seek capital appreciation over the medium term
- seek income whether in the form of capital appreciation or distributions
- accept the risks associated with this type of investment

**Processing requests** Requests to buy, exchange and sell shares that are received and accepted by the transfer agent by 1:00 PM CET on any dealing day are ordinarily processed the same day, at a NAV calculated using market values from that day.

Settlement occurs within 3 business days after a request has been accepted.

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**Fees (%)**

Main share class	Max. one-time fees		Annual fees		
	Entry	CDSC	Management	Adminis-tration	Distribution
A	5.75	—	1.50	0.19	—
B	—	4.00 <sup>1</sup>	1.50	0.19	1.00
C	3.00	1.00 <sup>2</sup>	2.20	0.19	—
F	—	—	0.70	0.19	—
I	3.00	—	0.70	0.14	—
J	—	—	—	0.14	—
S	—	—	0.70	0.10	—
Z	1.00	—	0.70	0.10	—

<sup>1</sup>Contingent deferred sales charge applies to shares sold within 4 years of purchase and decreases yearly by 1%. After 4 years these shares automatically convert into class A shares.

<sup>2</sup>Contingent deferred sales charge applies to shares sold within 1 year of purchase.

Hedged share classes also pay a hedging fee of maximum 0.03%. For more about fees and expenses, see "Fund Fees and Costs" on page 200. For a current and complete list of available share classes, go to [morganstanleyinvestmentfunds.com](http://morganstanleyinvestmentfunds.com).

# US Permanence Fund

## Investment Objective and Policy

**Objective** To seek long-term capital appreciation (measured in USD).

**Investment policy** The fund primarily invests (at least 70% of total net assets) in equity securities, including depositary receipts (including American Depositary Receipts (ADRs) and Global Depositary Receipts (GDRs)), of established companies located in the US, with capitalisations within the range of companies included in the S&P 500 Index.

The fund may also invest, on an ancillary basis (up to 30% of total net assets), in equity securities not meeting the criteria of the fund's primary investments, debt securities convertible into common shares, preference shares, China A-shares (through Stock Connect), warrants and other equity linked instruments. The fund may invest up to 10% of its net assets in China A-shares (through Stock Connect). The fund may invest to a limited extent (up to 10% of total net assets) in units/shares of other collective investment schemes, including the SICAV's funds and open-ended ETFs, which are eligible investments for UCITS under the 2010 Law, and in shares of special purpose acquisition companies (SPACs).

See also "Permitted assets, techniques and transactions" on page 177.

**Derivatives and techniques** The fund may use derivatives for reducing risks (hedging) and costs, and for investment purposes.

The fund intends to use core derivatives only (see "How the Funds Use Instruments and Techniques").

*TRS usage and securities lending* None.

**Strategy** The investment process will emphasise a bottom up stock selection process seeking attractive investments on an individual company basis. In selecting securities for investment, the investment manager typically invests in companies it believes have strong name recognition and sustainable competitive advantages with above average business visibility, the ability to deploy capital at high rates of return, strong balance sheets and an attractive risk/reward. The fund will make long-term investments in companies that the investment manager believes have qualities of permanence including durable long-term competitive advantages. The fund may also invest in more moderate growth companies, companies with lower earnings volatility and/or companies with some cyclicalities in their end markets. The fund is actively managed, not designed to track a benchmark, and therefore not constrained by the composition of the S&P 500 Index. The fund references the benchmark for the purpose of setting the capitalisation range of issuers the fund will invest in.

**Sustainability approach** The investment manager actively integrates sustainability into the investment process by using ESG factors as a lens for additional fundamental research, which can contribute to investment decision-making. The investment manager seeks to understand how environmental and social initiatives within companies can create value by strengthening durable competitive advantages, creating growth opportunities, driving profitability, and/or aligning with secular growth trends. The investment manager generally engages with companies to discuss their ESG practices, with the aim of identifying how sustainability themes present opportunities and risks that can be material to the value of the security over the long-term. Other aspects of the investment process include a proprietary, systematic evaluation of governance policies, specifically focusing on compensation alignment on long-term value creation.

Specifically, investments shall not knowingly include any company whose primary business activity involves the following:

- tobacco
- coal
- weapons, including civilian firearms, cluster munitions and anti-personnel mines

Further to the above, the investment manager may, in its discretion, elect to apply additional investment restrictions over time that it believes are consistent with its investment objectives. The details of the above exclusions can be found in the fund's exclusion policy which is available on the SICAV's [website](#). 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 manager, taking into account the best interests of the shareholders of the fund.

*SFDR product category* Article 8.

For more information on sustainability, see the fund's sustainability annex and the "Sustainable Investing" section on page 175.

**Benchmark(s)** S&P 500 Index, used for portfolio design indication. See the Key Information Document for information on the benchmark that is used for performance comparison. See page 175 for usage definitions.

**Fund base currency** USD.

## Main Risks

The risks below are divided according to how frequent (but not necessarily how significant) their effect may be on the fund. These are only the main risks, not a comprehensive listing. See "Risk Descriptions" on page 167 for more information.

### Risks typically associated with ordinary conditions

- Convertible bonds
- Country risk — China
- Credit
- Currency
- Depositary receipt
- Derivatives
- Emerging market
- Equities
- ESG/sustainability
- Hedging
- Investment fund
- Management
- Market
- SPAC

### Risks typically associated with unusual conditions or unpredictable events

- Circumstantial liquidity
- Counterparty and collateral
- Operational and cyber
- Standard practices
- Tax change

**Risk monitoring approach** Commitment.

## Planning your Investment

**Investor profile** Investors who understand the risks of the fund and plan to invest for the medium term.

The fund may appeal to investors who:

- seek to invest in equities
- seek capital appreciation over the medium term
- seek income whether in the form of capital appreciation or distributions
- accept the risks associated with this type of investment

**Processing requests** Requests to buy, exchange and sell shares that are received and accepted by the transfer agent by 1:00 PM CET on any dealing day are ordinarily processed the same day, at a NAV calculated using market values from that day.

Settlement occurs within 3 business days after a request has been accepted.

## Fees (%)

Main share class	Max. one-time fees		Annual fees		
	Entry	CDSC	Management	Admin- stration	Distribution
A	5.75	—	1.40	0.19	—
B	—	4.00 <sup>1</sup>	1.40	0.19	1.00
C	3.00	1.00 <sup>2</sup>	2.20	0.19	—
F	—	—	0.70	0.19	—
I	3.00	—	0.70	0.14	—
J	—	—	—	0.14	—
S	—	—	—	0.10	—
Z	1.00	—	0.70	0.10	—

<sup>1</sup> Contingent deferred sales charge applies to shares sold within 4 years of purchase and decreases yearly by 1%. After 4 years these shares automatically convert into class A shares.

<sup>2</sup> Contingent deferred sales charge applies to shares sold within 1 year of purchase.

Hedged share classes also pay a hedging fee of maximum 0.03%. For more about fees and expenses, see "Fund Fees and Costs" on page 200. For a current and complete list of available share classes, go to [morganstanleyinvestmentfunds.com](http://morganstanleyinvestmentfunds.com).

# US Property Fund

## Investment Objective and Policy

**Objective** To increase the value of your investment over the long term, mainly through growth of capital.

**Investment policy** The fund invests, directly or indirectly through funds, at least 70% of total net assets in equities of US companies in the real estate industry, or closely related to this industry.

Specifically, these investments are in companies located in the US and whose main activity is the development or ownership of income-producing property, or that operate, construct, finance or sell real estate, or that have substantial property-related holdings, services or products. These investments may include property-related collective investment vehicles, such as publicly quoted property unit trusts and closed-ended real estate investment trusts (REITs).

The fund may invest up to 30% of total net assets in equities not meeting the criteria of the fund's primary investments, and other types of securities, such as preference shares and convertible bonds.

Non-base currency exposure may be partially or fully hedged to the base currency of the fund.

See also "Permitted assets, techniques and transactions" on page 177.

**Derivatives and techniques** The fund may use derivatives for reducing risks (hedging) and costs only.

The fund intends to use core derivatives only (see "How the Funds Use Instruments and Techniques").

**TRS usage** None.

**Securities lending** 1% of total net assets expected, 33% maximum.

**Strategy** In actively managing the fund, the investment manager uses fundamental analysis to identify companies whose securities may offer the best value relative to their underlying assets and earnings or have above-average growth potential (bottom-up approach). The investment manager also considers forecasted fundamental inflections and macroeconomic risk factors to achieve sectoral diversification at the portfolio level (top-down approach). The fund is not benchmark-constrained and its performance may deviate significantly from that of the benchmark.

**Sustainability approach** The investment manager actively integrates sustainability into the investment process by assessing key ESG risks and opportunities in the bottom-up stock selection process primarily by leveraging third party ESG providers to assess and quantify ESG performance for issuers, supplementing third party research with proprietary research conducted by the investment manager including utilising a framework for assessing and quantifying risks and opportunities related to ESG which results in a quantitative adjustment to valuation estimates, and through engagements with company management to discuss ESG-related strengths, weaknesses, and opportunities in an effort to effect positive change within the industry. Key ESG topics may include, but are not limited to: energy usage and renewables, water usage, emissions, diversity and gender equality, labour and human rights, employee and tenant health, wellness and safety and company ESG governance and disclosure.

In an effort to drive positive change and encourage companies to improve their performance on material ESG issues, the investment manager may approach company management with competitive insights, financially sound business cases and practical solutions to potentially improve their real estate operations. While ESG considerations are an integrated and fundamental part of the investment process, they are only one of several key determinants used by the investment manager to determine if an investment will be made or size adjusted in the overall portfolio.

Investments shall not knowingly include any company whose primary business activity in any of the following is more than 10% of company revenue:

- owning or operating real estate used for for-profit prisons
- owning or operating real estate used to manufacture cannabis
- manufacturing or production of tobacco
- manufacturing or production of coal mining

- manufacturing or production of controversial weapons and civilian firearms
- manufacturing or production of Arctic oil and gas

Investments shall not knowingly include the following companies that:

- have a notable controversy related to their operations and/or products, where the severity of the social or environmental impact of the controversy, is judged by the investment manager
- fail to comply with the UN Global Compact or the ILO Fundamental Principles, without material remediation and improvement
- do not have at least one female board member

The investment manager references third party ESG data and its own proprietary research during the security research process. The investment manager will review controversy cases (such as the exclusions noted above) that it views as being very severe using ratings by relevant ESG data providers and internal research. However, in some cases data on specific issuers or the exclusions noted above may not be readily available and/or may be estimated by the investment manager using reasonable estimates.

*SFDR product category* Article 8.

For more information on sustainability, see the fund's sustainability annex and the "Sustainable Investing" section on page 175.

**Benchmark(s)** See the Key Information Document for information on the benchmark that is used for performance comparison. See page 175 for usage definitions.

**Fund base currency** USD.

## Main Risks

The risks below are divided according to how frequent (but not necessarily how significant) their effect may be on the fund. These are only the main risks, not a comprehensive listing. See "Risk Descriptions" on page 167 for more information.

### Risks typically associated with ordinary conditions

- Convertible bonds
- Credit
- Derivatives
- Equities
- ESG/sustainability
- Eurozone
- Investment fund
- Management
- Market
- Real estate investment

### Risks typically associated with unusual conditions or unpredictable events

- Circumstantial liquidity
- Counterparty and collateral, incl. securities techniques
- Operational and cyber
- Standard practices
- Tax change

**Risk monitoring approach** Commitment.

## Planning your Investment

**Investor profile** Investors who understand the risks of the fund and plan to invest for the long term.

The fund may appeal to investors who:

- are looking for long-term investment growth
- seek income whether in the form of capital appreciation or distributions
- are interested in exposure to developed real estate markets, either for a core investment or for diversification
- accept the risks associated with this type of investment

**Processing requests** Requests to buy, exchange and sell shares that are received and accepted by the transfer agent by 1:00 PM CET on any dealing day are ordinarily processed the same day, at a NAV calculated using market values from that day.

Settlement occurs within 3 business days after a request has been accepted.

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**Fees (%)**

Main share class	Max. one-time fees		Annual fees		
	Entry	CDSC	Management	Adminis- tration	Distribution
A	5.75	—	1.40	0.19	—
B	—	4.00 <sup>1</sup>	1.40	0.19	1.00
C	3.00	1.00 <sup>2</sup>	2.20	0.19	—
F	—	—	0.75	0.19	—
I	3.00	—	0.75	0.14	—
J	—	—	—	0.14	—
S	—	—	0.75	0.10	—
Z	1.00	—	0.75	0.10	—

<sup>1</sup>Contingent deferred sales charge applies to shares sold within 4 years of purchase and decreases yearly by 1%. After 4 years these shares automatically convert into class A shares.

<sup>2</sup>Contingent deferred sales charge applies to shares sold within 1 year of purchase.

Hedged share classes also pay a hedging fee of maximum 0.03%. For more about fees and expenses, see "Fund Fees and Costs" on page 200. For a current and complete list of available share classes, go to [morganstanleyinvestmentfunds.com](http://morganstanleyinvestmentfunds.com).

# US Value Fund

## Investment Objective and Policy

**Objective** To increase the value of your investment over the long term, mainly through growth of capital.

**Investment policy** The fund invests at least 70% of total net assets in equities of US companies.

Specifically, these investments are in companies located in the US and may include equity-related securities, such as American and global depositary receipts.

The fund may invest up to 30% of total net assets in equities not meeting the criteria of the fund's primary investments, and other types of securities, such as preference shares and convertible bonds.

Non-base currency exposure may be partially or fully hedged to the base currency of the fund.

See also "Permitted assets, techniques and transactions" on page 177.

**Derivatives and techniques** The fund may use derivatives for reducing risks (hedging) and costs only.

The fund intends to use core derivatives only (see "How the Funds Use Instruments and Techniques").

*TRS usage and securities lending* None.

**Strategy** In actively managing the fund, the investment manager employs fundamental analysis to identify leading companies with sound business fundamentals and whose securities appear undervalued relative to their intrinsic value and build a broadly diversified portfolio (value-oriented bottom-up approach). The fund is not benchmark-constrained and its performance may deviate significantly from that of the benchmark.

**Sustainability approach** The investment manager actively integrates sustainability into the investment process by assessing key ESG risks and opportunities in the bottom-up stock selection process, primary by leveraging the extensive proprietary ESG research generated by Calvert Research and Management, a Morgan Stanley affiliate. The investment manager may consider financially material ESG factors as part of the fund's securities selection process. Such financially material factors comprise sustainability risks or opportunities likely to affect the financial condition or performance of the issuer over a long-term investment horizon and may include, without limitation, business ethics, energy use, energy efficiency and renewable energy, workplace diversity, climate change, data security and workplace safety.

The investment manager believes that corporate governance practices of issuers have a direct impact on business performance and results produced by those issuers and incorporating companies' ESG behaviours into investment decisions provides a more comprehensive, holistic approach to investing that the investment manager believes can enhance both stock selection and risk-adjusted returns over the long term. While ESG considerations are an integrated and fundamental part of the investment process, they are only one of several key determinants used by the investment manager to determine if an investment will be made or size adjusted in the overall portfolio.

Investments shall not knowingly include any company whose primary business activity in any of the following is more than the below displayed threshold:

- revenue from tobacco (5%)
- revenue from gambling (5%)
- revenue from civilian firearms (0%)
- controversial weapons tie (none)
- revenue from coal mining (0%)
- revenue from Arctic drilling (0%)
- revenue from nuclear power (25%)
- white phosphorus (0%)

Investments shall not knowingly include the following companies:

- companies that fail to comply with the UN Global Compact, without material remediation and improvement. When a company screens that they have failed to comply, the investment manager will do further due diligence to determine if a path to remediation

is in place, or if the company has no plan in place. If no plan is in place, the company will be excluded.

Investments that are held by the fund but become restricted under the exclusions listed 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 manager, taking into account the best interests of the shareholders of the fund.

The investment manager monitors business practices on an ongoing basis, through data on ESG controversies and standards screening that the investment manager sources from third party providers, including UN Global Compact violations, as well as its own engagement with company management and research. The analysis may be supported by third party ESG controversies analysis and business involvement metrics.

*SFDR product category* Article 8.

For more information on sustainability, see the fund's sustainability annex and the "Sustainable Investing" section on page 175.

**Benchmark(s)** See the Key Information Document for information on the benchmark that is used for performance comparison. See page 175 for usage definitions.

**Fund base currency** USD.

## Main Risks

The risks below are divided according to how frequent (but not necessarily how significant) their effect may be on the fund. These are only the main risks, not a comprehensive listing. See "Risk Descriptions" on page 167 for more information.

### Risks typically associated with ordinary conditions

- Convertible bonds
- Credit
- Depositary receipt
- Equities
- ESG/sustainability
- Hedging
- Investment fund
- Management
- Market
- Real estate investment

### Risks typically associated with unusual conditions or unpredictable events

- Circumstantial liquidity
- Counterparty and collateral
- Operational and cyber
- Standard practices
- Tax change

**Risk monitoring approach** Commitment.

## Planning your Investment

**Investor profile** Investors who understand the risks of the fund and plan to invest for the long term.

The fund may appeal to investors who:

- are looking for long-term investment growth
- seek income whether in the form of capital appreciation or distributions
- are interested in exposure to developed equity markets, either for a core investment or for diversification
- accept the risks associated with this type of investment

**Processing requests** Requests to buy, exchange and sell shares that are received and accepted by the transfer agent by 1:00 PM CET on any dealing day are ordinarily processed the same day, at a NAV calculated using market values from that day.

Settlement occurs within 3 business days after a request has been accepted.

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**Fees (%)**

Main share class	Max. one-time fees		Annual fees		
	Entry	CDSC	Management	Adminis-tration	Distribution
A	5.75	—	1.50	0.19	—
B	—	4.00 <sup>1</sup>	1.50	0.19	1.00
C	3.00	1.00 <sup>2</sup>	2.00	0.19	—
F	—	—	0.60	0.19	—
I	3.00	—	0.60	0.14	—
J	—	—	0.34	0.14	—
S	—	—	0.60	0.10	—
Z	1.00	—	0.60	0.10	—

<sup>1</sup>Contingent deferred sales charge applies to shares sold within 4 years of purchase and decreases yearly by 1%. After 4 years these shares automatically convert into class A shares.

<sup>2</sup>Contingent deferred sales charge applies to shares sold within 1 year of purchase.

Hedged share classes also pay a hedging fee of maximum 0.03%. For more about fees and expenses, see "Fund Fees and Costs" on page 200. For a current and complete list of available share classes, go to [morganstanleyinvestmentfunds.com](http://morganstanleyinvestmentfunds.com).

# Vitality Fund

## Investment Objective and Policy

**Objective** To seek long-term capital appreciation (measured in USD).

**Investment policy** The fund primarily invests (at least 70% of total net assets) in equity securities, including depositary receipts (including American Depositary Receipts (ADRs) and Global Depositary Receipts (GDRs)), of companies located in the US that are principally engaged in the discovery, development, production, or distribution of products or services related to advances in healthcare. These companies include, but are not limited to, biotechnology, pharmaceuticals, medical equipment and supplies, healthcare technology, healthcare providers and services, and life sciences tools and services.

In relation to this fund, vitality means the power to endure and thrive. This reflects the healthcare sector-oriented focus of the fund and the view of the investment manager that the sector will offer superior opportunity for long-term capital appreciation. The fund may also allocate to industries related to the healthcare industry, but are not primarily engaged in the scientific advancement of healthcare. The allocation among these areas will vary depending on the relative potential the investment manager sees within each area and the outlook for the overall healthcare sector.

The fund may also invest, on an ancillary basis (up to 30% of total net assets), 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 (up to 10% of total net assets) in units/shares of other collective investment schemes, including the SICAV's funds and open-ended ETFs, which are eligible investments for UCITS under the 2010 Law, and in shares of special purpose acquisition companies (SPACs).

See also "Permitted assets, techniques and transactions" on page 177.

**Derivatives and techniques** The fund may use derivatives for reducing risks (hedging) and costs, and for investment purposes.

The fund intends to use core derivatives only (see "How the Funds Use Instruments and Techniques").

*TRS usage* None.

*Securities lending* 1% of total net assets expected, 33% maximum.

**Strategy** The investment process will emphasise a bottom up stock selection process seeking attractive investments on an individual company basis. In selecting securities for investment, the investment manager typically invests in unique companies it believes have sustainable competitive advantages, strong research and development and productive new product flow, financial strength, and an attractive risk/reward profile. The fund generally seeks investments in companies that are developing new and effective medicines, enabling novel and more efficient research and development efforts, as well as companies whose business models reduce costs or improve quality in healthcare systems. The fund will make long-term investments in companies that the investment manager believes have the most durable long-term competitive advantages. The fund may also invest in more moderate growth companies, companies with lower earnings volatility and/or companies with some cyclicalities in their end markets. The investment manager generally considers selling a portfolio holding when it determines that the holding no longer satisfies its investment criteria. The fund is actively managed, not designed to track a benchmark, and therefore not constrained by the composition of a benchmark.

*Sustainability approach* The investment manager actively integrates sustainability into the investment process by using ESG factors as a lens for additional fundamental research, which can contribute to investment decision-making. The investment manager seeks to understand how environmental and social initiatives within companies can create value by strengthening durable competitive

advantages, creating growth opportunities, driving profitability, and/or aligning with secular growth trends. The investment manager generally engages with companies to discuss their ESG practices, with the aim of identifying how sustainability themes present opportunities and risks that can be material to the value of the security over the long-term. Other aspects of the investment process include a proprietary, systematic evaluation of governance policies, specifically focusing on compensation alignment on long-term value creation.

Specifically, investments shall not knowingly include any company whose primary business activity involves the following:

- tobacco
- coal
- weapons, including civilian firearms, cluster munitions and anti-personnel mines

Further to the above, the investment manager may, in its discretion, select to apply additional ESG-related investment restrictions over time that it believes are consistent with its investment objectives. The details of exclusions can be found in the fund's exclusion policy which is available on the SICAV's [website](#). Investments that are held by the fund but become restricted after they are acquired due to the application of the ESG criteria will be sold. Such sales will take place over a time period to be determined by the investment manager, taking into account the best interests of the shareholders of the fund.

*SFDR product category* Article 8.

For more information on sustainability, see the fund's sustainability annex and the "Sustainable Investing" section on page 175.

**Benchmark(s)** See the Key Information Document for information on the benchmark that is used for performance comparison. See page 175 for usage definitions.

**Fund base currency** USD.

## Main Risks

The risks below are divided according to how frequent (but not necessarily how significant) their effect may be on the fund. These are only the main risks, not a comprehensive listing. See "Risk Descriptions" on page 167 for more information.

### Risks typically associated with ordinary conditions

- Convertible bonds
- Credit
- Depositary receipt
- Derivatives
- Emerging markets
- Equities
- ESG/sustainability
- Eurozone
- Hedging
- Investment fund
- Management
- Market
- SPAC

### Risks typically associated with unusual conditions or unpredictable events

- Circumstantial liquidity
- Counterparty and collateral, incl. securities techniques
- Operational and cyber
- Standard practices
- Tax change

**Risk monitoring approach** Commitment.

*Continues on next page.*



## Planning your Investment

**Investor profile** Investors who understand the risks of the fund and plan to invest for the long term.

The fund may appeal to investors who:

- seek to invest in equities
- seek capital appreciation over the long term
- seek income whether in the form of capital appreciation or distributions
- accept the risks associated with this type of investment

**Processing requests** Requests to buy, exchange and sell shares that are received and accepted by the transfer agent by 1:00 PM CET on any dealing day are ordinarily processed the same day, at a NAV calculated using market values from that day.

Settlement occurs within 3 business days after a request has been accepted.

### Fees (%)

Main share class	Max. one-time fees		Annual fees		
	Entry	CDSC	Management	Adminis-tration	Distribution
A	5.75	—	1.90	0.19	—
B	—	4.00 <sup>1</sup>	1.90	0.19	1.00
C	3.00	1.00 <sup>2</sup>	2.50	0.19	—
F	—	—	0.75	0.19	—
I	3.00	—	0.75	0.14	—
J	—	—	0.45	0.14	—
S	—	—	0.75	0.10	—
Z	1.00	—	0.75	0.10	—

<sup>1</sup> Contingent deferred sales charge applies to shares sold within 4 years of purchase and decreases yearly by 1%. After 4 years these shares automatically convert into class A shares.

<sup>2</sup> Contingent deferred sales charge applies to shares sold within 1 year of purchase.

Hedged share classes also pay a hedging fee of maximum 0.03%. For more about fees and expenses, see "Fund Fees and Costs" on page 200. For a current and complete list of available share classes, go to [morganstanleyinvestmentfunds.com](http://morganstanleyinvestmentfunds.com).

# Calvert Global High Yield Bond Fund

## Investment Objective and Policy

**Objective** To increase the value of your investment through a combination of income and growth of capital (total return).

**Investment policy** The fund invests at least 70% of total net assets in a range of below investment grade (high yield) fixed income securities, such as corporate and government bonds, issued anywhere in the world, including emerging markets.

Specifically, these investments are in bonds rated lower than BBB-/Baa3 or unrated, and may include, among other fixed income securities, convertible bonds, securitised instruments, such as asset-backed securities (ABSs) and loan assignments and participations.

The fund may invest up to 30% of total net assets in bonds not meeting the criteria of the fund's primary investments, and other types of securities.

The fund may invest in, or be exposed to, the following, up to the percentage of total net assets indicated:

- bonds not paying current income in anticipation of the receipt of possible future income or capital appreciation that are rated D (S&P) or C (Moody's), or unrated: 20%
- Chinese bonds (through the China Interbank Bond Market): 10%

Non-base currency exposure may be partially or fully hedged to the base currency of the fund.

See also "Permitted assets, techniques and transactions" on page 177.

**Derivatives and techniques** The fund may use derivatives for reducing risks (hedging) and costs, and for investment purposes.

The fund intends to use core derivatives only (see "How the Funds Use Instruments and Techniques").

*TRS usage and securities lending* None.

**Strategy** In actively managing the fund, the investment manager combines quantitative and qualitative analysis in a proprietary research process to build and optimise a portfolio of companies that appear to have above-average total return potential (top-down and bottom-up approach). The fund is not benchmark-constrained and its performance may deviate significantly from that of the benchmark.

**Sustainability approach** The fund will promote environmental and social characteristics through a principles-based ESG materiality assessment of investments, a low carbon focus, and sustainable investments. In identifying issuers that exhibit sound management of ESG characteristics, the fund utilises a quantitative and qualitative ESG research process that applies the [Calvert Principles for Responsible Investment](#) (the "ESG research"). In doing so, the fund promotes environmental sustainability and resource efficiency, equitable societies and respect for human rights, in addition to accountable governance and transparent operations. In relation to its investments in fixed income securities, the fund seeks to invest only in issuers that promote the Calvert Principles, as described above. The investment manager and Calvert also seek to engage company management on financially material ESG issues identified through fundamental and ESG research processes. Engagement may seek to drive positive change, to improve the sustainability of each company, and/or to enhance long-term value creation.

The fund will maintain a lower carbon intensity than the ICE BofA Developed Markets High Yield Ex-Subordinated Financial Index (USD-hedged), while aiming to halve it by 2030 compared to a 2022 baseline, and make sustainable investments in economic activities that address global environmental or societal challenges, in companies that are leaders in managing financially material environmental or social risks and opportunities, or in sustainable bonds, as defined below, while making sure that such investments do not significantly harm any environmental or social objective.

In relation to this fund, "sustainable bonds" are defined as green, social or sustainability bonds, as labelled in the securities' documentation, where the issuer commits to allocate the proceeds to projects making a positive environmental or social contribution. This includes, but is not limited to, bonds that align

with the International Capital Market Association (ICMA)'s Green Bond Principles, Social Bond Principles, and Sustainability Bond Guidelines.

The fund will not invest in corporate issuers which:

- derive any revenue from any of the following activities:
  - controversial weapons manufacturing or retail (anti-personnel landmines, cluster munitions, biological or chemical weapons, and nuclear weapons)
  - tobacco manufacturing
- derive more than 5% revenue from the following activities:
  - civilian firearms manufacturing or retail
- derive more than 10% revenue from the following activities:
  - gambling
  - tobacco retail and distribution
- violate any of the following norm-based exclusions:
  - have experienced very severe ESG-related controversies, including in relation to violations of the UN Global Compact, UN Guiding Principles on Business and Human Rights, the ILO Fundamental Principles, and the OECD Guidelines for Multinational Enterprises.

The investment manager may decide to implement additional restrictions to the fund, and such new restrictions will be disclosed in the fund's SFDR Website Disclosure.

The application of the Calvert Principles and the above-listed restrictions consist of the ESG criteria that are expected to result in a reduction in a significantly engaging manner by at least 20% of the fund's investment universe, defined as the ICE BofA Developed Markets High Yield Ex-Subordinated Financial Index (USD-hedged). The investment manager will aim to ensure that at least 90% of the Net Asset Value of the fund's fixed income securities issuers are assessed through its ESG Research.

The investment manager will monitor selected sustainability indicators for the fund, including ESG assessments from proprietary research and third-party providers, and carbon intensity (measured as tons of CO<sub>2</sub> equivalent 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 sustainability characteristics described above. The indicators will be measured and evaluated at least annually.

In relation to this fund, the use of "Calvert" in the name refers to Calvert Research and Management ("Calvert"), an indirect, wholly owned subsidiary of Morgan Stanley, whose role in relation to this fund is limited to the provision of non-discretionary investment advice to the investment manager to assist the investment manager in its management of the fund. Calvert has no discretion to make or recommend portfolio allocation or construction decisions on behalf of the fund, such investment discretion being vested solely in the investment manager.

Investments that are held by the fund but subsequently become restricted after they are acquired for the fund due to the application of the ESG criteria above, will be sold. Such sales will take place over a time period that takes into account the best interests of the shareholders of the fund. The investment manager and Calvert may use third-party data and ESG research as part of their analysis, and where data may not be available, will use internal methodologies or reasonable estimates. The methodologies used by different data providers may also vary and may result in different scores.

*SFDR product category* Article 8.

For more information on sustainability, see the fund's sustainability annex and the "Sustainable Investing" section on page 175.

**Benchmark(s)** ICE BofA Developed Markets High Yield Ex-Subordinated Financial (USD-hedged) Index, used for sustainability indicator comparison and portfolio design indication. See the Key Information Document for information on the benchmark that is used for performance comparison.

**Fund base currency** USD.

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## Main Risks

The risks below are divided according to how frequent (but not necessarily how significant) their effect may be on the fund. These are only the main risks, not a comprehensive listing. See "Risk Descriptions" on page 167 for more information.

### Risks typically associated with ordinary conditions

- ABS/MBS
- Convertible bonds
- Country risk — China
- Credit incl. below investment grade and unrated
- Currency
- Derivatives
- Emerging markets
- ESG/sustainability
- Eurozone
- Hedging
- Interest rate
- Investment fund
- Management
- Market
- Prepayment and extension

### Risks typically associated with unusual conditions or unpredictable events

- Circumstantial liquidity
- Counterparty and collateral
- Default
- Operational and cyber
- Standard practices
- Tax change

**Risk monitoring approach** Commitment.

## Planning your Investment

**Investor profile** Investors who understand the risks of the fund and plan to invest for the medium term.

The fund may appeal to investors who:

- are looking for a combination of income and investment growth
- seek income whether in the form of capital appreciation or distributions

- are interested in exposure to high-yield bond markets globally, either for a core investment or for diversification
- accept the risks associated with this type of investment

**Processing requests** Requests to buy, exchange and sell shares that are received and accepted by the transfer agent by 1:00 PM CET on any dealing day are ordinarily processed the same day, at a NAV calculated using market values from that day.

Settlement occurs within 3 business days after a request has been accepted.

### Fees (%)

Main share class	Max. one-time fees		Annual fees		
	Entry	CDSC	Management	Admin- tration	Distribution
A	4.00	—	1.50	0.19	—
B	—	4.00 <sup>1</sup>	1.50	0.19	1.00
C	3.00	1.00 <sup>2</sup>	—	0.19	—
F	—	—	0.60	0.19	—
I	3.00	—	0.60	0.14	—
J	—	—	0.30	0.14	—
S	—	—	0.60	0.10	—
Z	1.00	—	0.60	0.10	—

<sup>1</sup> Contingent deferred sales charge applies to shares sold within 4 years of purchase and decreases yearly by 1%. After 4 years these shares automatically convert into class A shares.

<sup>2</sup> Contingent deferred sales charge applies to shares sold within 1 year of purchase.

Hedged share classes also pay a hedging fee of maximum 0.03%. For more about fees and expenses, see "Fund Fees and Costs" on page 200. For a current and complete list of available share classes, go to [morganstanleyinvestmentfunds.com](http://morganstanleyinvestmentfunds.com).

# Calvert Sustainable Global Green Bond Fund

## Investment Objective and Policy

**Objective** To increase the value of your investment through a combination of income and growth of capital (total return), while advancing environmental goals.

**Investment policy** The fund invests at least 70% of total net assets in a range of fixed income securities, such as corporate, government and government-related bonds whose proceeds finance environmental projects (green bonds). These bonds may be issued anywhere in the world, including emerging markets, and some them may be below investment grade (high yield bonds).

Specifically, the proceeds of these bonds finance environmental projects or the transition to more environmental-friendly business models. These investments may be of any credit quality and may include, among other fixed income securities, bonds from issuers that provide environmental solutions or demonstrate environmental sustainability leadership, securitised instruments, such as asset- or mortgage-backed securities (ABSs/MBs) and loan assignments and participations, and convertible bonds. The fund does not intend to invest more than 50% of its net assets in aggregate in securitised instruments or more than 20% of its net assets in any one type of securitised instrument. The fund may also invest in currencies.

The fund may invest up to 30% of total net assets in bonds not meeting the criteria of the fund's primary investments, such as straight bonds and social bonds financing only societal projects that meet the investment manager's ESG criteria, and other types of securities.

The fund may invest in, or be exposed to, the following, up to the percentage of total net assets indicated:

- contingent convertible (coco) bonds: 20%
- Chinese bonds (through the China Interbank Bond Market): 10%

Non-base currency exposure may be partially or fully hedged to the base currency of the fund.

See also "Permitted assets, techniques and transactions" on page 177.

**Derivatives and techniques** The fund may use derivatives for reducing risks (hedging) and costs, and for investment purposes.

In addition to core derivatives (see "How the Funds Use Instruments and Techniques"), the fund may use total return swaps (TRSs).

*TRS usage* 0% of total net assets expected, 25% maximum.

*Securities lending* 0% of total net assets expected, 33% maximum.

**Strategy** In actively managing the fund, the investment manager combines quantitative and qualitative analysis in a proprietary research process to build and optimise a portfolio of companies that appear to have above-average total return potential (top-down and bottom-up approach). The fund is not benchmark-constrained and its performance may deviate significantly from that of the benchmark.

**Sustainability approach** In relation to this fund, "Sustainable" means that the investment manager integrates the consideration of sustainability themes and ESG issues in its investment decision-making on a discretionary basis as detailed below. The investment manager and Calvert also seek to engage company management on financially material ESG issues identified through fundamental and ESG research processes. Engagement may seek to drive positive change, to improve the sustainability of each company, and/or to enhance long-term value creation. It may also seek to support positive environmental and social impacts and outcomes, having regard to sustainability themes such as decarbonisation & climate risk, circular economy & waste reduction, diverse & inclusive business and decent work & resilient jobs.

For the purpose of this fund, green bonds include but are not limited to the following instruments:

- green use of proceeds bonds, with proceeds targeted to environmentally beneficial projects (with or without external green bond labelling)
- sustainability bonds, with a proportion of the proceeds targeted to environmentally beneficial projects

- transition bonds, with proceeds targeted to transitioning to more environmentally favourable business models
- sustainability-linked bonds, with environmental key performance indicators and targets
- bonds of issuers that seek to provide environmental solutions or that demonstrate environmental sustainability leadership

The investment manager utilises Calvert's research in relation to Green Bonds. Calvert employs a proprietary assessment framework for Green Bonds (which has regard to, where appropriate, recognised green bond guidelines such as the Green Bonds Principles of the International Capital Market Association), through which the robustness, expected impact and transparency of all such instruments in the fund are evaluated. The investment manager and Calvert may use third party data and ESG research as part of their analysis, and where data may not be available, will use internal methodologies or reasonable estimates. The methodologies used by different data providers can vary and may result in different evaluations. Details of the evaluation methodology are available in [Calvert Principles for Responsible Investment](#).

On an ancillary basis the fund may invest in securities which are not identified as Green Bonds, provided that Calvert has assessed that the issuer and/or security makes a significant contribution to positive social impacts or outcomes either through the issuer's products and services or through its practices or through the specific projects or investments financed by the bond issue, and provided Calvert has established that the activities of the issuer or projects associated with the bond issue, as applicable, do not result in adverse environmental or social impacts, or cause significant harm in accordance with the SFDR sustainable investment requirements. Such investments may include labelled Social Bonds, with proceeds allocated to projects focused on positive social outcomes and/or target populations, or labelled Sustainability-linked Bonds with social key performance indicators and targets. Such labelled bonds will also be subject to the Calvert's proprietary assessment framework, as described above. The labels "Green", "Social", "Sustainability" and "Sustainability-Linked" attached to the bonds by their issuers stand for the fact that their frameworks are, in most cases, although not exclusively, aligned with the International Capital Market Association (ICMA) Green/Social/Sustainability-Linked Bond Principles, or Sustainability Bond Guidelines, or principles/guidelines established in other jurisdictions.

The aim of the investment manager will be to ensure that at least 90% of the fund's assets are assessed with respect to the sustainability themes and ESG issues described above.

In relation to this fund, the use of "Calvert" in the name refers to Calvert Research and Management ("Calvert"), an indirect, wholly owned subsidiary of Morgan Stanley, whose role in relation to this fund is limited to the provision of non-discretionary investment advice to the investment manager to assist the investment manager in its management of the fund. Calvert has no discretion to make or recommend portfolio allocation or construction decisions on behalf of the fund, such investment discretion being vested solely in the investment manager.

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

- manufacturing or production of controversial weapons, including anti-personnel landmines, cluster munitions, biological or chemical weapons, and nuclear weapons
- manufacturing or production of civilian firearms, where the company derives more than 5% revenue from such business activity
- manufacturing or production of tobacco, or where the company derives more than 10% revenue from tobacco distribution or retail
- gambling, where the company derives more than 10% revenue from such business activity

*Continues on next page.*

The fund will also not invest in securities of issuers that have experienced very severe ESG-related controversies, including in relation to violations of the UN Global Compact, UN Guiding Principles on Business and Human Rights, the ILO Fundamental Principles, and the OECD Guidelines for Multinational Enterprises.

The investment manager may decide to implement additional restrictions to the fund, and such new restrictions will be disclosed in the fund's [SFDR Website Disclosure](#). 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 manager, taking into account the best interests of the shareholders of the fund.

SFDR product category Article 9.

For more information on sustainability, see the fund's sustainability annex and the "Sustainable Investing" section on page 175.

**Benchmark(s)** See the Key Information Document for information on the benchmark that is used for performance comparison. See page 175 for usage definitions.

**Fund base currency** USD.

## Main Risks

The risks below are divided according to how frequent (but not necessarily how significant) their effect may be on the fund. These are only the main risks, not a comprehensive listing. See "Risk Descriptions" on page 167 for more information.

### Risks typically associated with ordinary conditions

- ABS/MBS
- Eurozone
- Coco bonds
- Hedging
- Convertible bonds
- Interest rate
- Credit incl. below investment grade
- Investment fund
- Currency
- Leverage
- Derivatives
- Management
- Emerging markets
- Market
- ESG/sustainability
- Prepayment and extension

### Risks typically associated with unusual conditions or unpredictable events

- Circumstantial liquidity
- Operational and cyber
- Counterparty and collateral, incl. securities techniques
- Standard practices
- Default
- Tax change

**Risk monitoring approach** Relative VaR, with the ICE BofA Green Bond Index used as a reference portfolio. Expected gross leverage: 100% (not guaranteed; may be higher or lower).

## Planning your Investment

**Investor profile** Investors who understand the risks of the fund and plan to invest for the medium term.

The fund may appeal to investors who:

- are looking for a combination of income and investment growth, through an investment with comparatively high environmental or social characteristics
- seek income whether in the form of capital appreciation or distributions
- are interested in exposure to bond markets globally, either for a core investment or for diversification
- accept the risks associated with this type of investment

**Processing requests** Requests to buy, exchange and sell shares that are received and accepted by the transfer agent by 1:00 PM CET on any dealing day are ordinarily processed the same day, at a NAV calculated using market values from that day.

Settlement occurs within 3 business days after a request has been accepted.

### Fees (%)

Main share class	Max. one-time fees		Annual fees		
	Entry	CDSC	Management	Administration	Distribution
A	4.00	—	1.15	0.19	—
B	—	4.00 <sup>1</sup>	1.15	0.19	1.00
C	3.00	1.00 <sup>2</sup>	1.50	0.19	—
F	—	—	0.45	0.19	—
I	3.00	—	0.45	0.14	—
J	—	—	0.25	0.14	—
S	—	—	0.45	0.10	—
Z	1.00	—	0.45	0.10	—

<sup>1</sup> Contingent deferred sales charge applies to shares sold within 4 years of purchase and decreases yearly by 1%. After 4 years these shares automatically convert into class A shares.

<sup>2</sup> Contingent deferred sales charge applies to shares sold within 1 year of purchase.

Hedged share classes also pay a hedging fee of maximum 0.03%. For more about fees and expenses, see "Fund Fees and Costs" on page 200. For a current and complete list of available share classes, go to [morganstanleyinvestmentfunds.com](http://morganstanleyinvestmentfunds.com).

# Emerging Markets Corporate Debt Fund

## Investment Objective and Policy

**Objective** To increase the value of your investment through a combination of income and growth of capital (total return).

**Investment policy** The fund invests at least 70% of total net assets in corporate and government bonds in emerging markets. Some of these investments may be below investment grade (high yield bonds).

Specifically, these investments are in bonds of issuers located in an emerging country or in a developed country but whose bonds are primarily traded in, or that derive at least half of company revenue from, emerging markets, or whose market value reflects principally conditions in an emerging market country. These investments may be of any credit quality and may include bonds, notes, bills, debentures, convertible securities, bank debt obligations, short-term paper, asset- and mortgage-backed securities (ABSs/MBSS) and securitised loan assignments and participations. Emerging countries are determined by JP Morgan Corporate Emerging Markets Bond Index – Broad Diversified and developed countries are determined by JP Morgan Government Bond Index. The fund may also invest in less developed countries before they are added to the benchmark.

The fund may invest up to 30% of total net assets in bonds not meeting the criteria of the fund's primary investments, such as bonds issued in developed markets, and other types of securities.

The fund may invest in, or be exposed to, the following, up to the percentage of total net assets indicated:

- contingent convertible (coco) bonds: 20%
- Chinese bonds (through the China Interbank Bond Market): 20%
- warrants issued by emerging market issuers: 10%

Non-base currency exposure may be partially or fully hedged to the base currency of the fund.

See also "Permitted assets, techniques and transactions" on page 177.

**Derivatives and techniques** The fund may use derivatives for reducing risks (hedging) and costs, and for investment purposes.

In addition to core derivatives (see "How the Funds Use Instruments and Techniques"), the fund may use total return swaps (TRSs).

*TRS usage* 0% of total net assets expected, 25% maximum.

*Securities lending* 8% of total net assets expected, 33% maximum.

**Strategy** In actively managing the fund, the investment manager combines market and fundamental analysis to select securities that appear to offer the best return for their risk level (top-down and bottom-up approach). The fund is not benchmark-constrained and its performance may deviate significantly from that of the benchmark.

**Sustainability approach** The investment manager applies proprietary assessment and scoring methodologies that are bespoke to fixed income securities the fund may invest in, focused on corporate, sovereign and securitised issuance. Additionally, as part of the investment manager's bottom-up, fundamental research process, and in its engagements with issuers, the investment manager 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 and climate risk, circular economy and waste reduction, diverse and inclusive business, and decent work and resilient jobs. The investment manager will monitor core sustainability indicators, including ESG assessments from third party providers, and carbon footprint (measured by carbon intensity, defined as tonnes of CO<sub>2</sub> equivalent 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 manager also deploys a proprietary assessment framework for labelled sustainable bonds, through which the robustness, impact and transparency of such instruments are evaluated.

The investment manager 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
- manufacturing or production of tobacco
- mining and extraction of thermal coal, where the company derives 5% or more revenue from such business activity

As an exception to the above coal exclusion, the fund may invest in labelled Green and Sustainability Bonds that are issued to raise capital specifically for climate-related projects, 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 manager. 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.

The investment manager may also 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.

The investment manager may decide to implement additional restrictions to the fund, and such new restrictions will be disclosed in the fund's [SFDR website disclosure](#).

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 manager, taking into account the best interests of the shareholders of the fund.

The investment manager monitors business practices on an ongoing basis, through data on ESG controversies and standards screening that the investment manager sources from third party providers. The investment manager 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.

The investment manager 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 manager using internal methodologies or reasonable estimates. The methodologies used by different data providers may also vary and may result in different scores.

*SFDR product category* Article 8.

For more information on sustainability, see the fund's sustainability annex and the "Sustainable Investing" section on page 175.

**Benchmark(s)** JP Morgan Corporate Emerging Markets Bond Broad Diversified Index and JP Morgan Government Bond Index, used for geographic allocation indication. See the Key Information Document for information on the benchmark that is used for performance comparison. See page 175 for usage definitions.

**Fund base currency** USD.

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## Main Risks

The risks below are divided according to how frequent (but not necessarily how significant) their effect may be on the fund. These are only the main risks, not a comprehensive listing. See "Risk Descriptions" on page 167 for more information.

### Risks typically associated with ordinary conditions

- ABS/MBS
- Coco bonds
- Convertible bonds
- Country risk — China
- Credit incl. below investment grade
- Currency
- Derivatives
- Emerging markets
- ESG/sustainability
- Hedging
- Interest rate
- Investment fund
- Leverage
- Management
- Market
- Prepayment and extension

### Risks typically associated with unusual conditions or unpredictable events

- Circumstantial liquidity
- Counterparty and collateral, incl. securities techniques
- Default
- Operational and cyber
- Standard practices
- Tax change

**Risk monitoring approach** Relative VaR, with the JP Morgan Corporate Emerging Markets Bond Broad Diversified Index used as a reference portfolio. Expected gross leverage: 100% (not guaranteed; may be higher or lower).

## Planning your Investment

**Investor profile** Investors who understand the risks of the fund and plan to invest for the medium term.

The fund may appeal to investors who:

- are looking for a combination of income and investment growth

- seek income whether in the form of capital appreciation or distributions
- are interested in exposure to emerging bond markets globally, either for a core investment or for diversification
- accept the risks associated with this type of investment

**Processing requests** Requests to buy, exchange and sell shares that are received and accepted by the transfer agent by 1:00 PM CET on any dealing day are ordinarily processed the same day, at a NAV calculated using market values from that day.

Settlement occurs within 3 business days after a request has been accepted.

### Fees (%)

Main share class	Max. one-time fees		Annual fees		
	Entry	CDSC	Management	Administration	Distribution
A	4.00	—	1.45	0.19	—
B	—	4.00 <sup>1</sup>	1.45	0.19	1.00
C	3.00	1.00 <sup>2</sup>	2.15	0.19	—
F	—	—	0.75	0.19	—
I	3.00	—	0.75	0.14	—
J	—	—	—	0.14	—
S	—	—	0.75	0.10	—
Z	1.00	—	0.75	0.10	—

<sup>1</sup>Contingent deferred sales charge applies to shares sold within 4 years of purchase and decreases yearly by 1%. After 4 years these shares automatically convert into class A shares.

<sup>2</sup>Contingent deferred sales charge applies to shares sold within 1 year of purchase.

Hedged share classes also pay a hedging fee of maximum 0.03%. For more about fees and expenses, see "Fund Fees and Costs" on page 200. For a current and complete list of available share classes, go to [morganstanleyinvestmentfunds.com](http://morganstanleyinvestmentfunds.com).

# Emerging Markets Debt Fund

## Investment Objective and Policy

**Objective** To increase the value of your investment through a combination of income and growth of capital (total return).

**Investment policy** The fund invests at least 70% of total net assets in government and corporate bonds in emerging markets. Some of these investments may be below investment grade (high yield bonds).

Specifically, these investments are in bonds of issuers located in an emerging market country or in a developed country but whose bonds are primarily traded in, or that derive at least half of company revenue from, emerging markets. These investments may be of any credit quality and may include securitised instruments, such as asset- or mortgage-backed securities (ABSs/MBSs) and loan assignments and participations, and convertible bonds. Emerging countries are determined by JP Morgan Emerging Markets Bond Index Global Diversified and developed countries are determined JP Morgan Government Bond Index. The fund may also invest in less developed countries before they are added to the benchmark.

The fund may invest up to 30% of total net assets in bonds not meeting the criteria of the fund's primary investments, such as bonds issued in developed markets, and other types of securities.

The fund may invest in, or be exposed to, the following, up to the percentage of total net assets indicated:

- contingent convertible (coco) bonds: 20%
- Chinese bonds (through the China Interbank Bond Market): 20%
- warrants issued by emerging market issuers and in ETFs: 10%

Non-base currency exposure may be partially or fully hedged to the base currency of the fund.

See also "Permitted assets, techniques and transactions" on page 177.

**Derivatives and techniques** The fund may use derivatives for reducing risks (hedging) and costs, and for investment purposes.

In addition to core derivatives (see "How the Funds Use Instruments and Techniques"), the fund may use total return swaps (TRSs).

*TRS usage* 0% of total net assets expected, 25% maximum.

*Securities lending* 13% of total net assets expected, 33% maximum.

**Strategy** In actively managing the fund, the investment manager combines market and fundamental analysis to select securities that appear to offer the best return for their risk level (top-down and bottom-up approach). The fund is not benchmark-constrained and its performance may deviate significantly from that of the benchmark.

**Sustainability approach** The investment manager applies proprietary assessment and scoring methodologies that are bespoke to fixed income securities the fund may invest in, focused on sovereign issuance. Additionally as part of the investment manager's bottom-up, fundamental research process, and in its engagements with issuers, the investment manager 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 and health, education, living standards, voice and accountability, political stability, effective government, regulatory quality, rule of law, corruption, violence/terrorism. The investment manager 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 manager also deploys a proprietary assessment framework for labelled sustainable bonds, through which the robustness, impact and transparency of such instruments are evaluated.

The investment manager promotes good governance and social practices among sovereigns. Consequently, the investment manager will not make any new investments in countries where there is evidence of significant social violations. Investments that are

held by the fund but become restricted because they breach the good governance and social practices exclusions, after they are acquired for the fund, will be sold. Such sales will take place over a period of time to be determined by the investment manager, taking into account the best interests of the shareholders of the fund. Any countries exhibiting positive momentum with respect to such violations shall not be subject to the purchase restriction. The investment manager shall disclose the methodology used to evaluate significant social violations on the SICAV's [website](#).

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 manager, taking into account the best interests of the shareholders of the fund.

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
- manufacturing or production of tobacco
- mining and extraction of thermal coal, where the company derives 5% or more revenue from such business activity

As an exception to the above coal restriction, the fund may invest in labelled Green and Sustainability Bonds that are issued to raise capital specifically for climate-related projects, 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 manager. 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.

The investment manager may also 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.

In addition to the above sectoral exclusions, the investment manager monitors business practices on an ongoing basis, through data on ESG controversies and standards screening that the investment manager sources from third party providers. The investment manager 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.

The investment manager may decide to implement additional restrictions to the fund, and such new restrictions will be disclosed in the fund's [SFDR website disclosure](#).

The investment manager 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 manager using internal methodologies or reasonable estimates. The methodologies used by different data providers may also vary and may result in different scores.

*SFDR product category* Article 8.

For more information on sustainability, see the fund's sustainability annex and the "Sustainable Investing" section on page 175.

**Benchmark(s)** JP Morgan Emerging Markets Bond Global Diversified Index and JP Morgan Government Bond Index, used for geographic allocation indication. See the Key Information Document for information on the benchmark that is used for performance comparison. See page 175 for usage definitions.

**Fund base currency** USD.

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## Main Risks

The risks below are divided according to how frequent (but not necessarily how significant) their effect may be on the fund. These are only the main risks, not a comprehensive listing. See "Risk Descriptions" on page 167 for more information.

### Risks typically associated with ordinary conditions

- ABS/MBS
- Coco bonds
- Country risk — China
- Credit incl. below investment grade
- Currency
- Derivatives
- Emerging markets
- ESG/sustainability
- Eurozone
- Hedging
- Interest rate
- Investment fund
- Leverage
- Management
- Market
- Prepayment and extension

### Risks typically associated with unusual conditions or unpredictable events

- Circumstantial liquidity
- Counterparty and collateral, incl. securities techniques
- Default
- Operational and cyber
- Standard practices
- Tax change

**Risk monitoring approach** Relative VaR, with the JP Morgan Emerging Markets Bond Global Diversified Index used as a reference portfolio. Expected gross leverage: 100% (not guaranteed; may be higher or lower).

## Planning your Investment

**Investor profile** Investors who understand the risks of the fund and plan to invest for the medium term.

The fund may appeal to investors who:

- are looking for a combination of income and investment growth

- seek income whether in the form of capital appreciation or distributions
- are interested in exposure to emerging bond markets globally, either for a core investment or for diversification
- accept the risks associated with this type of investment

**Processing requests** Requests to buy, exchange and sell shares that are received and accepted by the transfer agent by 1:00 PM CET on any dealing day are ordinarily processed the same day, at a NAV calculated using market values from that day.

Settlement occurs within 3 business days after a request has been accepted.

### Fees (%)

Main share class	Max. one-time fees		Annual fees		
	Entry	CDSC	Management	Adminis-tration	Distribution
A	5.75	—	1.40	0.19	—
B	—	4.00 <sup>1</sup>	1.40	0.19	1.00
C	3.00	1.00 <sup>2</sup>	2.10	0.19	—
F	—	—	0.65	0.19	—
I	3.00	—	0.65	0.14	—
J	—	—	—	0.14	—
S	—	—	0.60	0.10	—
Z	1.00	—	0.65	0.10	—

<sup>1</sup> Contingent deferred sales charge applies to shares sold within 4 years of purchase and decreases yearly by 1%. After 4 years these shares automatically convert into class A shares.

<sup>2</sup> Contingent deferred sales charge applies to shares sold within 1 year of purchase.

Hedged share classes also pay a hedging fee of maximum 0.03%. For more about fees and expenses, see "Fund Fees and Costs" on page 200. For a current and complete list of available share classes, go to [morganstanleyinvestmentfunds.com](http://morganstanleyinvestmentfunds.com).

# Emerging Markets Debt Opportunities Fund

## Investment Objective and Policy

**Objective** To increase the value of your investment through a combination of income and growth of capital (total return).

**Investment policy** The fund invests, directly or indirectly through derivatives, at least 70% of total net assets in government and corporate bonds in emerging or frontier markets (frontier markets are less developed than emerging markets). Some of these investments may be below investment grade (high yield bonds).

Specifically, these investments are in bonds of issuers located in emerging or frontier market countries, and may include bonds of any credit quality or unrated, securitised loan assignments and participations and convertible bonds. The fund defines emerging countries based on various economical and political criteria, and the development of their financial and capital markets. The frontier countries are not developed countries that are either not included in, or represent 2% or less of, the benchmark.

The fund may invest up to 30% of total net assets in bonds not meeting the criteria of the fund's primary investments, such as bonds issued in developed markets, and other types of securities, such as equities and equity-related securities.

The fund may invest in, or be exposed to, the following, up to the percentage of total net assets indicated:

- bonds not paying current income but offering potential future income or growth that are rated D (S&P) or C (Moody's), or unrated: 20%
- contingent convertible (coco) bonds: 20%
- securitised instruments, such as asset- or mortgage-backed securities (ABSs/MBSs): 20%
- participation notes: 10%

Non-base currency exposure may be partially or fully hedged to the base currency of the fund.

See also "Permitted assets, techniques and transactions" on page 177.

**Derivatives and techniques** The fund may use derivatives for reducing risks (hedging) and costs, and for investment purposes.

In addition to core derivatives (see "How the Funds Use Instruments and Techniques"), the fund may use total return swaps (TRSs).

*TRS usage* 0% of total net assets expected, 30% maximum.

*Securities lending* 0% of total net assets expected, 15% maximum.

**Strategy** In actively managing the fund, the investment manager uses macroeconomic and individual country analysis, including fiscal and monetary policies, to determine country, currency and sector exposure. The investment manager then combines market and fundamental analysis to identify securities that appear to offer the best return for their risk level (top-down and bottom-up approach). The investment manager may take both long and short positions on such instruments as individual securities, currencies and interest rates. The fund is not benchmark-constrained and its performance may deviate significantly from that of the benchmark.

**Sustainability approach** In evaluating the fixed income securities issued by emerging market corporates and in its engagement with issuers, the investment manager incorporates an assessment of sustainability-related risks and opportunities into the assessment process to determine impacts on credit fundamentals, implications for valuation and spreads, currency and duration/local rates, 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 and health, education, living standards, voice and accountability, political stability, effective government, regulatory quality, rule of law, corruption, and violence/terrorism. The investment manager 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 annually.

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

The investment manager promotes good governance and social practices among corporate issuers. Consequently, the investment manager will not make any new investments in issuers where there is evidence that the relevant issuer has engaged in significant social violations (being activities which infringe significantly on an individual or a group's rights). Investments that are held by the fund but become restricted because they breach the good governance and social practices exclusions, after they are acquired for the fund, will be sold. Such sales will take place over a period of time to be determined by the investment manager, taking into account the best interests of the shareholders of the fund. Any issuers exhibiting positive momentum with respect to such violations shall not be subject to the purchase restriction. The methodology used by the investment manager to evaluate significant social violations shall be disclosed on the SICAV's [website](#).

With respect to investment in fixed income securities issued by corporates, investments shall not knowingly include any company deriving more than the following percentage of total company revenue indicated from:

- manufacturing or production of controversial weapons
- manufacturing or production of civilian firearms
- manufacturing or production of tobacco
- mining and extraction of thermal coal, where the company derives 5% or more revenue from such business activity

The exceptions to the above coal exclusion are that the fund may invest in labelled Green and Sustainability Bonds that are issued to raise capital specifically for climate-related projects, 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 manager. 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.

The investment manager may also 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.

In addition to the above sectoral exclusions, the investment manager monitors business practices of issuers on an ongoing basis, through data on ESG controversies and standards screening sourced from third party providers. The investment manager 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.

The investment manager also promotes good governance and social practices among sovereigns. Consequently, the investment manager will not make any new investments in countries where there is evidence of significant social violations (being significant failures by the government to ensure that an individual or a group's social rights are protected). 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 manager shall disclose the methodology used to evaluate significant social violations on the SICAV's [website](#).

The investment manager may decide to implement additional restrictions to the fund, and such new restrictions will be disclosed in the fund's [SFDR website disclosure](#).

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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 manager, taking into account the best interests of the shareholders. The investment manager 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 manager using internal methodologies or reasonable estimates. The methodologies used by different data providers may also vary and may result in different scores.

The investment manager believes that as sustainability issues are sources of long-term risk and return, the integration of sustainability risks as outlined above may assist in enhancing the returns of the fund over the long term.

SFDR product category Article 8.

For more information on sustainability, see the fund's sustainability annex and the "Sustainable Investing" section on page 175.

**Benchmark(s)** JP Morgan Emerging Markets Bond (JEMB) Hard Currency/Local Currency 50-50 Index, used for geographic allocation indication. See the Key Information Document for information on the benchmark that is used for performance comparison. See page 175 for usage definitions.

**Fund base currency** USD.

## Main Risks

The risks below are divided according to how frequent (but not necessarily how significant) their effect may be on the fund. These are only the main risks, not a comprehensive listing. See "Risk Descriptions" on page 167 for more information.

### Risks typically associated with ordinary conditions

- Coco bonds
- Convertible bonds
- Credit incl. below investment grade and unrated
- Currency
- Derivatives
- Emerging markets
- ESG/sustainability
- Eurozone
- Hedging
- Interest rate
- Investment fund
- Leverage
- Management
- Market
- Short position
- Volatility strategies

### Risks typically associated with unusual conditions or unpredictable events

- Circumstantial liquidity

- Counterparty and collateral, incl. securities techniques
- Default
- Operational and cyber
- Standard practices
- Tax change

**Risk monitoring approach** Relative VaR, with the JP Morgan Emerging Markets Bond (JEMB) Hard Currency/Local Currency 50-50 Index used as a reference portfolio. Expected gross leverage: 200% (not guaranteed; may be higher or lower).

## Planning your Investment

**Investor profile** Investors who understand the risks of the fund and plan to invest for the long term.

The fund may appeal to investors who:

- are looking for a combination of income and investment growth
- seek income whether in the form of capital appreciation or distributions
- are interested in exposure to emerging bond markets globally, either for a core investment or for diversification
- accept the risks associated with this type of investment

**Processing requests** Requests to buy, exchange and sell shares that are received and accepted by the transfer agent by 1:00 PM CET on any dealing day are ordinarily processed the same day, at a NAV calculated using market values from that day.

Settlement occurs within 3 business days after a request has been accepted.

### Fees (%)

Main share class	Max. one-time fees		Annual fees			
	Entry	CDSC	Management	Administration	Distribution	Max. emerging mkt custody
A	5.75	—	1.40	0.19	—	0.25
B	—	4.00 <sup>1</sup>	1.40	0.19	1.00	0.25
C	3.00	1.00 <sup>2</sup>	2.10	0.19	—	0.25
F	—	—	0.65	0.19	—	0.25
I	3.00	—	0.65	0.14	—	0.25
J	—	—	0.32	0.14	—	0.25
S	—	—	0.65	0.10	—	0.25
Z	1.00	—	0.65	0.10	—	0.25

<sup>1</sup> Contingent deferred sales charge applies to shares sold within 4 years of purchase and decreases yearly by 1%. After 4 years these shares automatically convert into class A shares.

<sup>2</sup> Contingent deferred sales charge applies to shares sold within 1 year of purchase.

Hedged share classes also pay a hedging fee of maximum 0.03%. For more about fees and expenses, see "Fund Fees and Costs" on page 200. For a current and complete list of available share classes, go to [morganstanleyinvestmentfunds.com](http://morganstanleyinvestmentfunds.com).

# Emerging Markets Domestic Debt Fund

## Investment Objective and Policy

**Objective** To increase the value of your investment through a combination of income and growth of capital (total return).

**Investment policy** The fund invests at least 70% of total net assets in government and corporate bonds issued in emerging markets and denominated in a local currency. Some of these investments may be below investment grade (high yield bonds).

Specifically, these investments are in bonds of issuers located, or that do most of their business, in emerging market countries. These investments may be of any credit quality and may include securitised instruments, such as asset- or mortgage-backed securities (ABSs/ MBSs) and loan assignments and participations, and convertible bonds, as well as fixed income securities of entities organised to restructure outstanding debt of emerging market issuers. Emerging countries are determined by the benchmark. The fund may also invest in less developed countries before they are added to the benchmark.

The fund may invest up to 30% of total net assets in bonds not meeting the criteria of the fund's primary investments, such as bonds issued in developed markets, and other types of securities, such as equity-related securities.

The fund may invest in, or be exposed to, the following, up to the percentage of total net assets indicated:

- contingent convertible (coco) bonds: 20%
- Chinese bonds (through the China Interbank Bond Market): 20%
- warrants issued by emerging market issuers and in ETFs: 10%

In unusual economic, financial or political conditions, the fund may temporarily adopt a defensive approach by reducing its holdings in emerging market local currency bonds to below 50% of total net assets.

Non-base currency exposure may be partially or fully hedged to the base currency of the fund.

See also "Permitted assets, techniques and transactions" on page 177.

**Derivatives and techniques** The fund may use derivatives for reducing risks (hedging) and costs, and for investment purposes.

In addition to core derivatives (see "How the Funds Use Instruments and Techniques"), the fund may use total return swaps (TRSs).

*TRS usage* 0% of total net assets expected, 25% maximum.

*Securities lending* 0% of total net assets expected, 33% maximum.

**Strategy** In actively managing the fund, the investment manager combines market and fundamental analysis to identify securities that appear to offer the best return for their risk level (top-down and bottom-up approach). The fund is not benchmark-constrained and its performance may deviate significantly from that of the benchmark.

**Sustainability approach** The investment manager applies proprietary assessment and scoring methodologies that are bespoke to fixed income securities the fund may invest in, focused on sovereign issuance. Additionally as part of the investment manager's bottom-up, fundamental research process, and in its engagements with issuers, the investment manager 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 and health, education, living standards, voice and accountability, political stability, effective government, regulatory quality, rule of law, corruption, violence/terrorism. The investment manager 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 manager also deploys a proprietary assessment framework for labelled sustainable bonds, through which the robustness, impact and transparency of such instruments are evaluated.

The investment manager promotes good governance and social practices among sovereigns. Consequently, it does not make any new investments in countries where there is evidence of significant social violations. Investments that are held by the fund but become restricted because they breach the good governance and social practices exclusions, after they are acquired for the fund, will be sold. However, any countries exhibiting positive momentum with respect to such violations are not subject to the purchase restriction. The investment manager shall disclose the methodology used to evaluate significant social violations on the SICAV's [website](#).

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
- manufacturing or production of tobacco
- mining and extraction of thermal coal, where the company derives 5% or more revenue from such business activity

As an exception to the above coal restriction, the fund may invest in labelled Green and Sustainability Bonds that are issued to raise capital specifically for climate-related projects, 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 manager. 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.

The investment manager may also 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.

The investment manager may decide to implement additional restrictions to the fund, and such new restrictions will be disclosed in the fund's [SFDR website disclosure](#).

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 manager, taking into account the best interests of the shareholders of the fund.

The investment manager monitors business practices on an ongoing basis, through data on ESG controversies and standards screening that the investment manager sources from third party providers. The investment manager 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.

The investment manager 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 manager using internal methodologies or reasonable estimates. The methodologies used by different data providers may also vary and may result in different scores.

*SFDR product category* Article 8.

For more information on sustainability, see the fund's sustainability annex and the "Sustainable Investing" section on page 175.

**Benchmark(s)** JP Morgan GBI-Emerging Markets Global Diversified Index, used for geographic allocation indication. See the Key Information Document for information on the benchmark that is used for performance comparison. See page 175 for usage definitions.

**Fund base currency** USD.

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## Main Risks

The risks below are divided according to how frequent (but not necessarily how significant) their effect may be on the fund. These are only the main risks, not a comprehensive listing. See "Risk Descriptions" on page 167 for more information.

### Risks typically associated with ordinary conditions

- ABS/MBS
- Coco bonds
- Convertible bonds
- Country risk — China
- Credit incl. below investment grade
- Currency
- Derivatives
- Emerging markets
- ESG/sustainability
- Eurozone
- Hedging
- Interest rate
- Investment fund
- Leverage
- Management
- Market
- Prepayment and extension

### Risks typically associated with unusual conditions or unpredictable events

- Circumstantial liquidity
- Counterparty and collateral, incl. securities techniques
- Default
- Operational and cyber
- Standard practices
- Tax change

**Risk monitoring approach** Relative VaR, with the JP Morgan GBI-Emerging Markets Global Diversified Index used as a reference portfolio. Expected gross leverage: 100% (not guaranteed; may be higher or lower).

## Planning your Investment

**Investor profile** Investors who understand the risks of the fund and plan to invest for the medium term.

The fund may appeal to investors who:

- are looking for a combination of income and investment growth
- seek income whether in the form of capital appreciation or distributions
- are interested in exposure to emerging bond markets globally, either for a core investment or for diversification
- accept the risks associated with this type of investment

**Processing requests** Requests to buy, exchange and sell shares that are received and accepted by the transfer agent by 1:00 PM CET on any dealing day are ordinarily processed the same day, at a NAV calculated using market values from that day.

Settlement occurs within 3 business days after a request has been accepted.

### Fees (%)

Main share class	Max. one-time fees		Annual fees		
	Entry	CDSC	Management	Adminis-tration	Distribution
A	5.75	—	1.40	0.19	—
B	—	4.00 <sup>1</sup>	1.40	0.19	1.00
C	3.00	1.00 <sup>2</sup>	2.10	0.19	—
F	—	—	0.65	0.19	—
I	3.00	—	0.65	0.14	—
J	—	—	—	0.14	—
S	—	—	0.65	0.10	—
Z	1.00	—	0.65	0.10	—

<sup>1</sup> Contingent deferred sales charge applies to shares sold within 4 years of purchase and decreases yearly by 1%. After 4 years these shares automatically convert into class A shares.

<sup>2</sup> Contingent deferred sales charge applies to shares sold within 1 year of purchase.

Hedged share classes also pay a hedging fee of maximum 0.03%. For more about fees and expenses, see "Fund Fees and Costs" on page 200. For a current and complete list of available share classes, go to [morganstanleyinvestmentfunds.com](http://morganstanleyinvestmentfunds.com).

# Emerging Markets Fixed Income Opportunities Fund

## Investment Objective and Policy

**Objective** To increase the value of your investment through a combination of income and growth of capital (total return).

**Investment policy** The fund invests at least 70% of total net assets in government and corporate bonds in emerging markets or denominated in an emerging market currency. Some of these investments may be below investment grade (high yield bonds).

Specifically, these investments are in bonds of issuers located in an emerging country or in a developed countries but whose bonds are primarily traded in, or that derive at least half of company revenue from, emerging markets, or whose market value reflects principally conditions in an emerging market country. These investments may be of any credit quality and may include securitised instruments, such as asset-backed securities (ABSs), convertible bonds and restructured debt of emerging market issuers. Emerging countries are determined by JP Morgan Emerging Markets Blended Index – Equally Weighted and developed countries are determined JP Morgan Government Bond Index. The fund may also invest in less developed countries before they are added to the benchmark.

The fund may invest up to 30% of total net assets in bonds not meeting the criteria of the fund's primary investments, such as bonds issued in developed markets, and other types of securities, such as equities and equity-related securities.

The fund may invest in, or be exposed to, the following, up to the percentage of total net assets indicated:

- Chinese bonds (through the China Interbank Bond Market): 20%
- contingent convertible (coco) bonds: 20%

Non-base currency exposure may be partially or fully hedged to the base currency of the fund.

See also "Permitted assets, techniques and transactions" on page 177.

**Derivatives and techniques** The fund may use derivatives for reducing risks (hedging) and costs, and for investment purposes.

In addition to core derivatives (see "How the Funds Use Instruments and Techniques"), the fund may use total return swaps (TRSs).

*TRS usage* 0% of total net assets expected, 25% maximum.

*Securities lending* 0% of total net assets expected, 33% maximum.

**Strategy** In actively managing the fund, the investment manager combines market and fundamental analysis to identify securities that appear to offer the best return for their risk level (top-down and bottom-up approach). The fund is not benchmark-constrained and its performance may deviate significantly from that of the benchmark.

**Sustainability approach** The investment manager applies proprietary assessment and scoring methodologies that are bespoke to fixed income securities the fund may invest in, focused on corporate, sovereign and securitised issuance. Additionally, as part of the investment manager's bottom-up, fundamental research process, and in its engagements with issuers, the investment manager 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 and climate risk, circular economy and waste reduction, diverse and inclusive business, and decent work and resilient jobs. The investment manager will monitor core sustainability indicators, including ESG assessments from third party providers, and carbon footprint (measured by carbon intensity, defined as tonnes of CO<sub>2</sub> equivalent 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 manager also deploys a proprietary assessment framework for labelled sustainable bonds, through which the robustness, impact and transparency of such instruments are evaluated.

The investment manager 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
- manufacturing or production of tobacco
- mining and extraction of thermal coal, where the company derives 5% or more revenue from such business activity

As an exception to the above coal restriction, the fund may invest in labelled Green and Sustainability Bonds that are issued to raise capital specifically for climate-related projects, 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 manager. 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.

The investment manager may also 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.

The investment manager may decide to implement additional restrictions to the fund, and such new restrictions will be disclosed in the fund's [SFDR website disclosure](#).

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

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 manager, taking into account the best interests of the shareholders of the fund. The investment manager 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 manager using internal methodologies or reasonable estimates. The methodologies used by different data providers may also vary and may result in different scores.

*SFDR product category* Article 8.

For more information on sustainability, see the fund's sustainability annex and the "Sustainable Investing" section on page 175.

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**Benchmark(s)** JP Morgan Emerging Markets Blended Index – Equally Weighted, an equally weighted index of JP Morgan Emerging Market Bond Index Global Diversified, JP Morgan Corporate Emerging Market Bond Index Broad Diversified and JP Morgan Government Bond Index – Emerging Markets Global Diversified Index, and JP Morgan Government Bond Index, used for geographic allocation indication. See the Key Information Document for information on the benchmark that is used for performance comparison. See page 175 for usage definitions.

**Fund base currency** USD.

## Main Risks

The risks below are divided according to how frequent (but not necessarily how significant) their effect may be on the fund. These are only the main risks, not a comprehensive listing. See "Risk Descriptions" on page 167 for more information.

### Risks typically associated with ordinary conditions

- ABS/MBS
- Coco bonds
- Country risk — China
- Convertible bonds
- Credit incl. below investment grade
- Currency
- Derivatives
- Emerging markets
- ESG/sustainability
- Hedging
- Interest rate
- Investment fund
- Leverage
- Management
- Market
- Prepayment and extension

### Risks typically associated with unusual conditions or unpredictable events

- Circumstantial liquidity
- Counterparty and collateral, incl. securities techniques
- Default
- Operational and cyber
- Standard practices
- Tax change

**Risk monitoring approach** Relative VaR, with the JP Morgan Emerging Markets Blended Index – Equally Weighted used as a reference portfolio. Expected gross leverage: 100% (not guaranteed; may be higher or lower).

## Planning your Investment

**Investor profile** Investors who understand the risks of the fund and plan to invest for the medium term.

The fund may appeal to investors who:

- are looking for a combination of income and investment growth
- seek income whether in the form of capital appreciation or distributions
- are interested in exposure to emerging bond markets globally, either for a core investment or for diversification
- accept the risks associated with this type of investment

**Processing requests** Requests to buy, exchange and sell shares that are received and accepted by the transfer agent by 1:00 PM CET on any dealing day are ordinarily processed the same day, at a NAV calculated using market values from that day.

Settlement occurs within 3 business days after a request has been accepted.

### Fees (%)

Main share class	Max. one-time fees		Annual fees		
	Entry	CDSC	Management	Adminis-tration	Distribution
A	4.00	—	1.40	0.19	—
B	—	4.00 <sup>1</sup>	1.40	0.19	1.00
C	3.00	1.00 <sup>2</sup>	1.90	0.19	—
F	—	—	0.70	0.19	—
I	3.00	—	0.70	0.14	—
J	—	—	0.35	0.14	—
S	—	—	0.70	0.10	—
Z	1.00	—	0.70	0.10	—

<sup>1</sup>Contingent deferred sales charge applies to shares sold within 4 years of purchase and decreases yearly by 1%. After 4 years these shares automatically convert into class A shares.

<sup>2</sup>Contingent deferred sales charge applies to shares sold within 1 year of purchase.

Hedged share classes also pay a hedging fee of maximum 0.03%. For more about fees and expenses, see "Fund Fees and Costs" on page 200. For a current and complete list of available share classes, go to [morganstanleyinvestmentfunds.com](http://morganstanleyinvestmentfunds.com).

# Emerging Markets Local Income Fund

## Investment Objective and Policy

**Objective** To increase the value of your investment through a combination of income and growth of capital (total return).

**Investment policy** The fund invests, directly or indirectly through derivatives, at least 70% of total net assets in government and corporate bonds issued in emerging markets or denominated in an emerging market currency. Some of these investments may be below investment grade (high yield bonds).

Specifically, these investments are in bonds of issuers located in emerging market countries. These investments may be of any credit quality or unrated and may include convertible bonds. Emerging countries are defined as any country that did not become a member of the OECD prior to 1975 and Turkey, and may include frontier market countries. Frontier market countries are less developed countries than emerging market countries and are defined as any country that are either not included in, or represent 2% or less of, the benchmark.

The fund may invest up to 30% of total net assets in bonds not meeting the criteria of the fund's primary investments, such as bonds issued in developed markets, and other types of securities, such as equities and equity-related securities.

The fund may invest in, or be exposed to, the following, up to the percentage of total net assets indicated:

- bonds not paying current income but offering potential future income or growth that are rated D (S&P) or C (Moody's), or unrated: 20%
- securitised instruments, such as asset- or mortgage-backed securities (ABSs/MBSs): 20%

Non-base currency exposure may be partially or fully hedged to the base currency of the fund.

See also "Permitted assets, techniques and transactions" on page 177.

**Derivatives and techniques** The fund may use derivatives for reducing risks (hedging) and costs, and for investment purposes.

In addition to core derivatives (see "How the Funds Use Instruments and Techniques"), the fund may use total return swaps (TRSs).

*TRS usage* 2% of total net assets expected, 30% maximum.

*Securities lending* 5% of total net assets expected, 15% maximum.

**Strategy** In actively managing the fund, the investment manager uses macroeconomic and individual country analysis, including fiscal and monetary policies, to determine country, currency and sector exposure. The investment manager then combines market and fundamental analysis to identify securities that appear to offer the best return for their risk level (top-down and bottom-up approach). The fund is not benchmark-constrained and its performance may deviate significantly from that of the benchmark.

**Sustainability approach** In evaluating the fixed income securities issued by emerging market corporates and in its engagement with issuers, the investment manager incorporates an assessment of sustainability-related risks and opportunities into the assessment process to determine impacts on credit fundamentals, implications for valuation and spreads, currency and duration, local rates and any material aspects that may affect the trading technicalities of the fixed income securities. These criteria may include, but are not limited to environmental, social and governance (ESG) themes such as carbon emissions, climate vulnerability, forestry conservation, life expectancy and health, education, living standards, voice and accountability, political stability, effective government, regulatory quality, rule of law, corruption, and violence/terrorism. The investment manager 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 annually.

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

The investment manager promotes good governance and social practices among corporate issuers. Consequently, it does not make any new investments in issuers where there is evidence that the relevant issuer has engaged in significant social violations (being activities which infringe significantly on an individual or a group's rights). Investments that are held by the fund but become restricted because they breach the good governance and social practices exclusions, after they are acquired for the fund, will be sold. Such sales will take place over a period of time to be determined by the investment manager, taking into account the best interests of the shareholders of the fund. However, any issuers exhibiting positive momentum with respect to such violations are not subject to the purchase restriction. The investment manager shall disclose the methodology used to evaluate significant social violations on the SICAV's [website](#).

With respect to investment in fixed income securities issued by corporates, 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
- mining and extraction of thermal coal, where the company derives 5% or more revenue from such business activity

As an exception to the above coal restriction, the fund may invest in labelled Green and Sustainability Bonds that are issued to raise capital specifically for climate-related projects, 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 manager. 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.

The investment manager may also 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.

The investment manager may decide to implement additional restrictions to the fund, and such new restrictions will be disclosed in the fund's [SFDR website disclosure](#).

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 manager, taking into account the best interests of the shareholders of the fund.

The investment manager monitors business practices on an ongoing basis, through data on ESG controversies and standards screening that the investment manager sources from third party providers. The investment manager 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.

The investment manager also promotes good governance and social practices among sovereigns. Consequently, the investment manager will not make any new investments in countries where there is evidence of significant social violations (being significant failures by the government to ensure that an individual or a group's social rights are protected). 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 manager shall disclose the methodology used to evaluate significant social violations on its website.

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The investment manager 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 manager using internal methodologies or reasonable estimates. The methodologies used by different data providers may also vary and may result in different scores.

The investment manager believes that as sustainability issues are sources of long-term risk and return, the integration of sustainability risks as outlined above may assist in enhancing the returns of the fund over the long term.

SFDR product category Article 8.

For more information on sustainability, see the fund's sustainability annex and the "Sustainable Investing" section on page 175.

**Benchmark(s)** JP Morgan Government Bond Index: Emerging Market (JP Morgan GBI-EM) Global Diversified Index, used for geographic allocation indication. See the Key Information Document for information on the benchmark that is used for performance comparison. See page 175 for usage definitions.

**Fund base currency** USD.

## Main Risks

The risks below are divided according to how frequent (but not necessarily how significant) their effect may be on the fund. These are only the main risks, not a comprehensive listing. See "Risk Descriptions" on page 167 for more information.

### Risks typically associated with ordinary conditions

- Convertible bonds
- Credit incl. below investment grade and unrated
- Currency
- Derivatives
- Emerging markets
- ESG/sustainability
- Eurozone
- Hedging
- Interest rate
- Investment fund
- Leverage
- Management
- Market
- Volatility strategies

### Risks typically associated with unusual conditions or unpredictable events

- Circumstantial liquidity
- Counterparty and collateral, incl. securities techniques
- Default
- Operational and cyber
- Standard practices
- Tax change

**Risk monitoring approach** Relative VaR, with the JP Morgan Government Bond Index: Emerging Market (JP Morgan GBI-EM) Global Diversified Index used as a reference portfolio. Expected gross leverage: 350% (not guaranteed; may be higher or lower).

## Planning your Investment

**Investor profile** Investors who understand the risks of the fund and plan to invest for the long term.

The fund may appeal to investors who:

- are looking for a combination of income and investment growth
- seek income whether in the form of capital appreciation or distributions
- are interested in exposure to emerging bond markets globally, either for a core investment or for diversification
- accept the risks associated with this type of investment

**Processing requests** Requests to buy, exchange and sell shares that are received and accepted by the transfer agent by 1:00 PM CET on any dealing day are ordinarily processed the same day, at a NAV calculated using market values from that day.

Settlement occurs within 3 business days after a request has been accepted.

### Fees (%)

Main share class	Max. one-time fees		Annual fees			
	Entry	CDSC	Management	Administration	Distribution	Max. emerging mkt custody
A	5.75	—	1.40	0.19	—	0.25
B	—	4.00 <sup>1</sup>	1.40	0.19	1.00	0.25
C	3.00	1.00 <sup>2</sup>	2.10	0.19	—	0.25
F	—	—	0.65	0.19	—	0.25
I	3.00	—	0.65	0.14	—	0.25
J	—	—	0.32	0.14	—	0.25
S	—	—	0.65	0.10	—	0.25
Z	1.00	—	0.65	0.10	—	0.25

<sup>1</sup> Contingent deferred sales charge applies to shares sold within 4 years of purchase and decreases yearly by 1%. After 4 years these shares automatically convert into class A shares.

<sup>2</sup> Contingent deferred sales charge applies to shares sold within 1 year of purchase.

Hedged share classes also pay a hedging fee of maximum 0.03%. For more about fees and expenses, see "Fund Fees and Costs" on page 200. For a current and complete list of available share classes, go to [morganstanleyinvestmentfunds.com](http://morganstanleyinvestmentfunds.com).

# Euro Bond Fund

## Investment Objective and Policy

**Objective** To increase the value of your investment through a combination of income and growth of capital (total return).

**Investment policy** The fund invests at least 70% of total net assets in government and corporate bonds denominated in EUR. Some of these investments may be below investment grade (high yield bonds).

Specifically, these investments are in bonds rated at least B-/B3 or, in the case of securitised instruments, BBB-/Baa3. If these securities are downgraded below B-/B3 or, in the case of securitised instruments, below BBB-/Baa3, the fund may hold such securities up to 3% of total net assets but will divest any of them that has not been upgraded to the required credit rating within six months. For more information on credit policies, see page 175. The securitised instruments may include asset- and mortgage-backed securities (ABSs/MBSs).

The fund may invest up to 30% of total net assets in bonds not meeting the criteria of the fund's primary investments, such as bonds not denominated in EUR, and other types of securities.

The fund may invest in, or be exposed to, the following, up to the percentage of total net assets indicated:

- contingent convertible (coco) bonds: 20%

Non-base currency exposure may be partially or fully hedged to the base currency of the fund.

See also "Permitted assets, techniques and transactions" on page 177.

**Derivatives and techniques** The fund may use derivatives for reducing risks (hedging) and costs, and for investment purposes.

The fund intends to use core derivatives only (see "How the Funds Use Instruments and Techniques").

*TRS usage* None.

*Securities lending* 12% of total net assets expected, 33% maximum.

**Strategy** In actively managing the fund, the investment manager combines macroeconomic, market and fundamental analysis to identify securities that appear to offer the best return for their risk level (top-down and bottom-up approach). The fund is not benchmark-constrained and its performance may deviate significantly from that of the benchmark.

**Sustainability approach** The investment manager applies proprietary assessment and scoring methodologies that are bespoke to fixed income securities the fund may invest in, focused on corporate, sovereign and securitised issuance. Additionally, as part of the investment manager's bottom-up, fundamental research process, and in its engagements with issuers, the investment manager 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 and climate risk, circular economy and waste reduction, diverse and inclusive business, and decent work and resilient jobs. The investment manager will monitor core sustainability indicators, including ESG assessments from third party providers, and carbon footprint (measured by carbon intensity, defined as tonnes of CO<sub>2</sub> equivalent 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 manager also deploys a proprietary assessment framework for labelled sustainable bonds, through which the robustness, impact and transparency of such instruments are evaluated.

The investment manager 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
- manufacturing or production of tobacco
- mining and extraction of thermal coal, where the company derives 5% or more revenue from such business activity

As an exception to the above coal restriction, the fund may invest in labelled Green and Sustainability Bonds that are issued to raise capital specifically for climate-related projects, 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 manager. 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.

The investment manager may also 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.

The investment manager may decide to implement additional restrictions to the fund, and such new restrictions will be disclosed in the fund's [SFDR website disclosure](#).

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 manager, taking into account the best interests of the shareholders of the fund.

The investment manager monitors business practices on an ongoing basis, through data on ESG controversies and standards screening that the investment manager sources from third party providers. The investment manager 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.

The investment manager 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 manager using internal methodologies or reasonable estimates. The methodologies used by different data providers may also vary and may result in different scores.

*SFDR product category* Article 8.

For more information on sustainability, see the fund's sustainability annex and the "Sustainable Investing" section on page 175.

**Benchmark(s)** See the Key Information Document for information on the benchmark that is used for performance comparison. See page 175 for usage definitions.

**Fund base currency** EUR.

*Continues on next page.*

## Main Risks

The risks below are divided according to how frequent (but not necessarily how significant) their effect may be on the fund. These are only the main risks, not a comprehensive listing. See "Risk Descriptions" on page 167 for more information.

### Risks typically associated with ordinary conditions

- ABS/MBS
- Coco bonds
- Credit incl. below investment grade
- Derivatives
- ESG/sustainability
- Eurozone
- Hedging
- Interest rate
- Investment fund
- Leverage
- Management
- Market
- Prepayment and extension

### Risks typically associated with unusual conditions or unpredictable events

- Circumstantial liquidity
- Counterparty and collateral, incl. securities techniques
- Default
- Operational and cyber
- Standard practices
- Tax change

**Risk monitoring approach** Relative VaR, with the Bloomberg Euro Aggregate A- or Better Index used as a reference portfolio. Expected gross leverage: 100% (not guaranteed; may be higher or lower).

## Planning your Investment

**Investor profile** Investors who understand the risks of the fund and plan to invest for the medium term.

The fund may appeal to investors who:

- are looking for a combination of income and investment growth

- seek income whether in the form of capital appreciation or distributions
- are interested in exposure to bond markets globally, either for a core investment or for diversification
- accept the risks associated with this type of investment

**Processing requests** Requests to buy, exchange and sell shares that are received and accepted by the transfer agent by 1:00 PM CET on any dealing day are ordinarily processed the same day, at a NAV calculated using market values from that day.

Settlement occurs within 3 business days after a request has been accepted.

### Fees (%)

Main share class	Max. one-time fees		Annual fees		
	Entry	CDSC	Management	Adminis-tration	Distribution
A	4.00	—	0.80	0.19	—
B	—	4.00 <sup>1</sup>	0.80	0.19	1.00
C	3.00	1.00 <sup>2</sup>	1.45	0.19	—
F	—	—	0.45	0.19	—
I	3.00	—	0.45	0.14	—
J	—	—	—	0.14	—
S	—	—	0.45	0.10	—
Z	1.00	—	0.45	0.10	—

<sup>1</sup>Contingent deferred sales charge applies to shares sold within 4 years of purchase and decreases yearly by 1%. After 4 years these shares automatically convert into class A shares.

<sup>2</sup>Contingent deferred sales charge applies to shares sold within 1 year of purchase.

Hedged share classes also pay a hedging fee of maximum 0.03%. For more about fees and expenses, see "Fund Fees and Costs" on page 200. For a current and complete list of available share classes, go to [morganstanleyinvestmentfunds.com](https://morganstanleyinvestmentfunds.com).

# Euro Corporate Bond – Duration Hedged Fund

## Investment Objective and Policy

**Objective** To increase the value of your investment through a combination of income and growth of capital (total return), while seeking to reduce the effect of interest rate movements.

**Investment policy** The fund invests at least 70% of total net assets in investment grade corporate bonds issued anywhere in the world, including emerging markets, and denominated in EUR.

Specifically, these investments are in corporate bonds rated at least BBB-/Baa3 and may include securitised instruments, such as asset- or mortgage-backed securities (ABSs/MBSs). The fund may continue to hold downgraded securities with a rating of at least B-/B3 or, in the case of securitised instruments, BBB-/Baa3. For more information on credit policies, see page 175.

The fund may invest up to 30% of total net assets in bonds not meeting the criteria of the fund's primary investments, such as below investment grade (high yield) bonds, and other types of securities.

The fund may invest in, or be exposed to, the following, up to the percentage of total net assets indicated:

- contingent convertible (coco) bonds: 20%
- securitised instruments, such as asset- or mortgage-backed securities (ABSs/MBSs): 20%
- Chinese bonds (through the China Interbank Bond Market): 10%

Non-base currency exposure may be partially or fully hedged to the base currency of the fund.

See also "Permitted assets, techniques and transactions" on page 177.

**Derivatives and techniques** The fund may use derivatives for reducing risks (hedging) and costs, and for investment purpose.

The fund intends to use core derivatives only (see "How the Funds Use Instruments and Techniques").

*TRS usage* None.

*Securities lending* 7% of total net assets expected, 33% maximum.

**Strategy** In actively managing the fund, the investment manager combines macroeconomic, market and fundamental analysis to identify securities that appear to offer the best return for their risk level (top-down and bottom-up approach). The investment manager also hedges the portfolio's duration to reduce the fund's sensitivity to interest rate movements. The fund is not benchmark-constrained and its performance may deviate significantly from that of the benchmark.

**Sustainability approach** The investment manager applies proprietary assessment and scoring methodologies that are bespoke to fixed income securities the fund may invest in, focused on corporate, sovereign and securitised issuance. Additionally, as part of the investment manager's bottom-up, fundamental research process, and in its engagements with issuers, the investment manager 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 and climate risk, circular economy and waste reduction, diverse and inclusive business, and decent work and resilient jobs. The investment manager will monitor core sustainability indicators, including ESG assessments from third party providers, and carbon footprint (measured by carbon intensity, defined as tonnes of CO2 equivalent 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 manager also deploys a proprietary assessment framework for labelled sustainable bonds, through which the robustness, impact and transparency of such instruments are evaluated.

The investment manager 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
- manufacturing or production of tobacco
- mining and extraction of thermal coal, where the company derives 5% or more revenue from such business activity

As an exception to the above coal restriction, the fund may invest in labelled Green and Sustainability Bonds that are issued to raise capital specifically for climate-related projects, 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 manager. 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.

The investment manager may also 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.

The investment manager may decide to implement additional restrictions to the fund, and such new restrictions will be disclosed in the fund's [SFDR website disclosure](#).

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 manager, taking into account the best interests of the shareholders of the fund.

The investment manager monitors business practices on an ongoing basis, through data on ESG controversies and standards screening that the investment manager sources from third party providers. The investment manager 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.

The investment manager 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 manager using internal methodologies or reasonable estimates. The methodologies used by different data providers may also vary and may result in different scores.

*SFDR product category* Article 8.

For more information on sustainability, see the fund's sustainability annex and the "Sustainable Investing" section on page 175.

**Benchmark(s)** See the Key Information Document for information on the benchmark that is used for performance comparison. See page 175 for usage definitions.

**Fund base currency** EUR.

*Continues on next page.*

## Main Risks

The risks below are divided according to how frequent (but not necessarily how significant) their effect may be on the fund. These are only the main risks, not a comprehensive listing. See "Risk Descriptions" on page 167 for more information.

### Risks typically associated with ordinary conditions

- ABS/MBS
- Coco bonds
- Country risk — China
- Credit incl. below investment grade
- Currency
- Derivatives
- Emerging markets
- ESG/sustainability
- Eurozone
- Hedging
- Interest rate
- Investment fund
- Leverage
- Management
- Market
- Prepayment and extension

### Risks typically associated with unusual conditions or unpredictable events

- Circumstantial liquidity
- Counterparty and collateral, incl. securities techniques
- Default
- Operational and cyber
- Standard practices
- Tax change

**Risk monitoring approach** Absolute VaR. Expected gross leverage: 150% (not guaranteed; may be higher or lower).

## Planning your Investment

**Investor profile** Investors who understand the risks of the fund and plan to invest for the medium term.

The fund may appeal to investors who:

- are looking for a combination of income and investment growth with some degree of protection against interest rate movements

- seek income whether in the form of capital appreciation or distributions
- are interested in exposure to corporate bond markets globally, either for a core investment or for diversification
- accept the risks associated with this type of investment

**Processing requests** Requests to buy, exchange and sell shares that are received and accepted by the transfer agent by 1:00 PM CET on any dealing day are ordinarily processed the same day, at a NAV calculated using market values from that day.

Settlement occurs within 3 business days after a request has been accepted.

### Fees (%)

Main share class	Max. one-time fees		Annual fees		
	Entry	CDSC	Management	Adminis-tration	Distribution
A	4.00	—	0.80	0.19	—
B	—	4.00 <sup>1</sup>	0.80	0.19	1.00
C	3.00	1.00 <sup>2</sup>	1.45	0.19	—
F	—	—	0.45	0.19	—
I	3.00	—	0.45	0.14	—
J	—	—	—	0.14	—
S	—	—	0.40	0.10	—
Z	1.00	—	0.45	0.10	—

<sup>1</sup>Contingent deferred sales charge applies to shares sold within 4 years of purchase and decreases yearly by 1%. After 4 years these shares automatically convert into class A shares.

<sup>2</sup>Contingent deferred sales charge applies to shares sold within 1 year of purchase.

Hedged share classes also pay a hedging fee of maximum 0.03%. For more about fees and expenses, see "Fund Fees and Costs" on page 200. For a current and complete list of available share classes, go to [morganstanleyinvestmentfunds.com](http://morganstanleyinvestmentfunds.com).

# Euro Corporate Bond Fund

## Investment Objective and Policy

**Objective** To increase the value of your investment through a combination of income and growth of capital (total return).

**Investment policy** The fund invests at least 70% of total net assets in corporate bonds issued anywhere in the world, including emerging markets, and denominated in EUR. Some of these investments may be below investment grade (high yield bonds).

Specifically, these investments are in corporate bonds rated at least B-/B3 or, in the case of securitised instruments, BBB-/Baa3. If these securities are downgraded below B-/B3 or, in the case of securitised instruments, below BBB-/Baa3, the fund may hold such securities up to 3% of total net assets but will divest any of them that has not been upgraded to the required credit rating within six months. For more information on credit policies, see page 175. Securitised instruments may include asset- and mortgage-backed securities (ABSs/MBSs).

The fund may invest up to 30% of total net assets in bonds not meeting the criteria of the fund's primary investments, such as bonds not denominated in EUR, and other types of securities.

The fund may invest in, or be exposed to, the following, up to the percentage of total net assets indicated:

- contingent convertible (coco) bonds: 20%
- Chinese bonds (through the China Interbank Bond Market): 10%

Non-base currency exposure may be partially or fully hedged to the base currency of the fund.

See also "Permitted assets, techniques and transactions" on page 177.

**Derivatives and techniques** The fund may use derivatives for reducing risks (hedging) and costs, and for investment purposes.

The fund intends to use core derivatives only (see "How the Funds Use Instruments and Techniques").

**TRS usage** None.

**Securities lending** 8% of total net assets expected, 33% maximum.

**Strategy** In actively managing the fund, the investment manager combines macroeconomic, market and fundamental analysis to identify securities that appear to offer the best return for their risk level (top-down and bottom-up approach). The fund is not benchmark-constrained and its performance may deviate significantly from that of the benchmark.

**Sustainability approach** The investment manager applies proprietary assessment and scoring methodologies that are bespoke to fixed income securities the fund may invest in, focused on corporate, sovereign and securitised issuance. Additionally, as part of the investment manager's bottom-up, fundamental research process, and in its engagements with issuers, the investment manager 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 and climate risk, circular economy and waste reduction, diverse and inclusive business, and decent work and resilient jobs. The investment manager will monitor core sustainability indicators, including ESG assessments from third party providers, and carbon footprint (measured by carbon intensity, defined as tonnes of CO2 equivalent 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 manager also deploys a proprietary assessment framework for labelled sustainable bonds, through which the robustness, impact and transparency of such instruments are evaluated.

The investment manager 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
- manufacturing or production of tobacco
- mining and extraction of thermal coal, where the company derives 5% or more revenue from such business activity

As an exception to the above coal restriction, the fund may invest in labelled Green and Sustainability Bonds that are issued to raise capital specifically for climate-related projects, 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 manager. 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.

The investment manager may also 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.

The investment manager may decide to implement additional restrictions to the fund, and such new restrictions will be disclosed in the fund's [SFDR website disclosure](#).

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 manager, taking into account the best interests of the shareholders of the fund.

The investment manager monitors business practices on an ongoing basis, through data on ESG controversies and standards screening that the investment manager sources from third party providers. The investment manager 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.

The investment manager 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 manager using internal methodologies or reasonable estimates. The methodologies used by different data providers may also vary and may result in different scores.

**SFDR product category** Article 8.

For more information on sustainability, see the fund's sustainability annex and the "Sustainable Investing" section on page 175.

**Benchmark(s)** See the Key Information Document for information on the benchmark that is used for performance comparison. See page 175 for usage definitions.

**Fund base currency** EUR.

*Continues on next page.*

## Main Risks

The risks below are divided according to how frequent (but not necessarily how significant) their effect may be on the fund. These are only the main risks, not a comprehensive listing. See "Risk Descriptions" on page 167 for more information.

### Risks typically associated with ordinary conditions

- ABS/MBS
- Coco bonds
- Country risk — China
- Credit incl. below investment grade
- Currency
- Derivatives
- Emerging markets
- ESG/sustainability
- Eurozone
- Hedging
- Interest rate
- Investment fund
- Leverage
- Management
- Market
- Prepayment and extension

### Risks typically associated with unusual conditions or unpredictable events

- Circumstantial liquidity
- Counterparty and collateral, incl. securities techniques
- Default
- Operational and cyber
- Standard practices
- Tax change

**Risk monitoring approach** Relative VaR, with the Bloomberg Euro-Aggregate Corporate Index used as a reference portfolio. Expected gross leverage: 100% (not guaranteed; may be higher or lower).

## Planning your Investment

**Investor profile** Investors who understand the risks of the fund and plan to invest for the medium term.

The fund may appeal to investors who:

- are looking for a combination of income and investment growth

- seek income whether in the form of capital appreciation or distributions
- are interested in exposure to corporate bond markets globally, either for a core investment or for diversification
- accept the risks associated with this type of investment

**Processing requests** Requests to buy, exchange and sell shares that are received and accepted by the transfer agent by 1:00 PM CET on any dealing day are ordinarily processed the same day, at a NAV calculated using market values from that day.

Settlement occurs within 3 business days after a request has been accepted.

### Fees (%)

Main share class	Max. one-time fees		Annual fees		
	Entry	CDSC	Management	Adminis-tration	Distribution
A	4.00	—	0.80	0.19	—
B	—	4.00 <sup>1</sup>	0.80	0.19	1.00
C	3.00	1.00 <sup>2</sup>	1.45	0.19	—
F	—	—	0.45	0.19	—
I	3.00	—	0.45	0.14	—
J	—	—	—	0.14	—
S	—	—	0.40	0.10	—
Z	1.00	—	0.45	0.10	—

<sup>1</sup> Contingent deferred sales charge applies to shares sold within 4 years of purchase and decreases yearly by 1%. After 4 years these shares automatically convert into class A shares.

<sup>2</sup> Contingent deferred sales charge applies to shares sold within 1 year of purchase.

Hedged share classes also pay a hedging fee of maximum 0.03%. For more about fees and expenses, see "Fund Fees and Costs" on page 200. For a current and complete list of available share classes, go to [morganstanleyinvestmentfunds.com](http://morganstanleyinvestmentfunds.com).

# Euro Strategic Bond Fund

## Investment Objective and Policy

**Objective** To increase the value of your investment through a combination of income and growth of capital (total return).

**Investment policy** The fund invests at least 70% of total net assets in government and corporate bonds issued anywhere in the world, including emerging markets, and denominated in EUR. Some of these investments may be below investment grade (high yield bonds).

Specifically, these investments are in bonds of any credit quality and may include securitised instruments, such as asset-backed securities (ABSs) and loan assignments and participations.

The fund may invest up to 30% of total net assets in bonds not meeting the criteria of the fund's primary investments, such as bonds not denominated in EUR, and other types of securities.

The fund may invest in, or be exposed to, the following, up to the percentage of total net assets indicated:

- contingent convertible (coco) bonds: 20%
- Chinese bonds (through the China Interbank Bond Market): 10%

Non-base currency exposure may be partially or fully hedged to the base currency of the fund.

See also "Permitted assets, techniques and transactions" on page 177.

**Derivatives and techniques** The fund may use derivatives for reducing risks (hedging) and costs, and for investment purposes.

The fund intends to use core derivatives only (see "How the Funds Use Instruments and Techniques").

*TRS usage* None.

*Securities lending* 4% of total net assets expected, 33% maximum.

**Strategy** In actively managing the fund, the investment manager combines macroeconomic, market and fundamental analysis to identify securities that appear to offer the best return for their risk level (top-down and bottom-up approach). The fund is not benchmark-constrained and its performance may deviate significantly from that of the benchmark.

**Sustainability approach** The investment manager applies proprietary assessment and scoring methodologies that are bespoke to fixed income securities the fund may invest in, focused on corporate, sovereign and securitised issuance. Additionally, as part of the investment manager's bottom-up, fundamental research process, and in its engagements with issuers, the investment manager 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 and climate risk, circular economy and waste reduction, diverse and inclusive business, and decent work and resilient jobs. The investment manager will monitor core sustainability indicators, including ESG assessments from third party providers, and carbon footprint (measured by carbon intensity, defined as tonnes of CO<sub>2</sub> equivalent 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 manager also deploys a proprietary assessment framework for labelled sustainable bonds, through which the robustness, impact and transparency of such instruments are evaluated.

The investment manager 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
- manufacturing or production of tobacco
- mining and extraction of thermal coal, where the company derives 5% or more revenue from such business activity

As an exception to the above coal restriction, the fund may invest in labelled Green and Sustainability Bonds that are issued to raise capital specifically for climate-related projects, 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 manager. 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.

The investment manager may also 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.

The investment manager may decide to implement additional restrictions to the fund, and such new restrictions will be disclosed in the fund's [SFDR website disclosure](#).

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 manager, taking into account the best interests of the shareholders of the fund.

The investment manager monitors business practices on an ongoing basis, through data on ESG controversies and standards screening that the investment manager sources from third party providers. The investment manager 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.

The investment manager 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 manager using internal methodologies or reasonable estimates. The methodologies used by different data providers may also vary and may result in different scores.

*SFDR product category* Article 8.

For more information on sustainability, see the fund's sustainability annex and the "Sustainable Investing" section on page 175.

**Benchmark(s)** See the Key Information Document for information on the benchmark that is used for performance comparison. See page 175 for usage definitions.

**Fund base currency** EUR.

*Continues on next page.*



## Main Risks

The risks below are divided according to how frequent (but not necessarily how significant) their effect may be on the fund. These are only the main risks, not a comprehensive listing. See "Risk Descriptions" on page 167 for more information.

### Risks typically associated with ordinary conditions

- ABS/MBS
- Coco bonds
- Country risk — China
- Credit incl. below investment grade
- Currency
- Derivatives
- Emerging markets
- ESG/sustainability
- Eurozone
- Hedging
- Interest rate
- Investment fund
- Leverage
- Management
- Market
- Prepayment and extension

### Risks typically associated with unusual conditions or unpredictable events

- Circumstantial liquidity
- Counterparty and collateral, incl. securities techniques
- Default
- Operational and cyber
- Standard practices
- Tax change

**Risk monitoring approach** Relative VaR, with the Bloomberg Euro-Aggregate Index used as a reference portfolio. Expected gross leverage: 100% (not guaranteed; may be higher or lower).

## Planning your Investment

**Investor profile** Investors who understand the risks of the fund and plan to invest for the medium term.

The fund may appeal to investors who:

- are looking for a combination of income and investment growth

- seek income whether in the form of capital appreciation or distributions
- are interested in exposure to bond markets globally, either for a core investment or for diversification
- accept the risks associated with this type of investment

**Processing requests** Requests to buy, exchange and sell shares that are received and accepted by the transfer agent by 1:00 PM CET on any dealing day are ordinarily processed the same day, at a NAV calculated using market values from that day.

Settlement occurs within 3 business days after a request has been accepted.

Main share class	Max. one-time fees		Annual fees		
	Entry	CDSC	Management	Adminis- tration	Distribution
A	4.00	—	0.80	0.19	—
B	—	4.00 <sup>1</sup>	0.80	0.19	1.00
C	3.00	1.00 <sup>2</sup>	1.45	0.19	—
F	—	—	0.45	0.19	—
I	3.00	—	0.45	0.14	—
J	—	—	—	0.14	—
S	—	—	0.40	0.10	—
Z	1.00	—	0.45	0.10	—

<sup>1</sup>Contingent deferred sales charge applies to shares sold within 4 years of purchase and decreases yearly by 1%. After 4 years these shares automatically convert into class A shares.

<sup>2</sup>Contingent deferred sales charge applies to shares sold within 1 year of purchase.

Hedged share classes also pay a hedging fee of maximum 0.03%. For more about fees and expenses, see "Fund Fees and Costs" on page 200. For a current and complete list of available share classes, go to [morganstanleyinvestmentfunds.com](https://www.morganstanleyinvestmentfunds.com).

# European Fixed Income Opportunities Fund

## Investment Objective and Policy

**Objective** To increase the value of your investment through a combination of income and growth of capital (total return).

**Investment policy** The fund invests at least 70% of total net assets in government and corporate bonds, convertible bonds and asset-backed securities issued anywhere in the world, including emerging markets, and denominated in EUR. Some of these investments may be below investment grade (high yield bonds).

Specifically, these investments are in bonds of any credit quality and may include securitised instruments, such as asset- or mortgage-backed securities (ABSs/MBSs) and loan assignments and participations, convertible bonds and currencies. For more information on credit policies, see page 175.

The fund may invest up to 30% of total net assets in bonds not meeting the criteria of the fund's primary investments, such as bonds not denominated in EUR, and other types of securities, such as equities and equity-related securities.

The fund may invest in, or be exposed to, the following, up to the percentage of total net assets indicated:

- contingent convertible (coco) bonds: 20%
- Chinese bonds (through the China Interbank Bond Market): 10%

Non-base currency exposure may be partially or fully hedged to the base currency of the fund.

See also "Permitted assets, techniques and transactions" on page 177.

**Derivatives and techniques** The fund may use derivatives for reducing risks (hedging) and costs, and for investment purposes.

The fund intends to use core derivatives only (see "How the Funds Use Instruments and Techniques").

*TRS usage* None.

*Securities lending* 6% of total net assets expected, 33% maximum.

**Strategy** In actively managing the fund, the investment manager combines macroeconomic, market and fundamental analysis to identify securities that appear to offer the best return for their risk level (top-down and bottom-up approach).

**Sustainability approach** The investment manager applies proprietary assessment and scoring methodologies that are bespoke to fixed income securities the fund may invest in, focused on corporate, sovereign and securitised issuance. Additionally, as part of the investment manager's bottom-up, fundamental research process, and in its engagements with issuers, the investment manager 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 and climate risk, circular economy and waste reduction, diverse and inclusive business, and decent work and resilient jobs. The investment manager will monitor core sustainability indicators, including ESG assessments from third party providers, and carbon footprint (measured by carbon intensity, defined as tonnes of CO<sub>2</sub> equivalent 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 manager also deploys a proprietary assessment framework for labelled sustainable bonds, through which the robustness, impact and transparency of such instruments are evaluated.

The investment manager 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
- manufacturing or production of tobacco
- mining and extraction of thermal coal, where the company derives 5% or more revenue from such business activity

As an exception to the above coal restriction, the fund may invest in labelled Green and Sustainability Bonds that are issued to raise capital specifically for climate-related projects, 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 manager. 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.

The investment manager may also 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.

The investment manager may decide to implement additional restrictions to the fund, and such new restrictions will be disclosed in the fund's [SFDR website disclosure](#).

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 manager, taking into account the best interests of the shareholders of the fund.

The investment manager monitors business practices on an ongoing basis, through data on ESG controversies and standards screening that the investment manager sources from third party providers. The investment manager 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.

The investment manager 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 manager using internal methodologies or reasonable estimates. The methodologies used by different data providers may also vary and may result in different scores.

*SFDR product category* Article 8.

For more information on sustainability, see the fund's sustainability annex and the "Sustainable Investing" section on page 175.

**Benchmark(s)** See the Key Information Document for information on the benchmark that is used for performance comparison. See page 175 for usage definitions.

**Fund base currency** EUR.

*Continues on next page.*

## Main Risks

The risks below are divided according to how frequent (but not necessarily how significant) their effect may be on the fund. These are only the main risks, not a comprehensive listing. See "Risk Descriptions" on page 167 for more information.

### Risks typically associated with ordinary conditions

- ABS/MBS
- Coco bonds
- Convertible bonds
- Country risk — China
- Credit incl. below investment grade
- Currency
- Derivatives
- Emerging markets
- Equities
- ESG/sustainability
- Hedging
- Interest rate
- Investment fund
- Leverage
- Management
- Market
- Prepayment and extension

### Risks typically associated with unusual conditions or unpredictable events

- Circumstantial liquidity
- Counterparty and collateral, incl. securities techniques
- Default
- Operational and cyber
- Standard practices
- Tax change

**Risk monitoring approach** Absolute VaR. Expected gross leverage: 160% (not guaranteed; may be higher or lower).

## Planning your Investment

**Investor profile** Investors who understand the risks of the fund and plan to invest for the medium term.

The fund may appeal to investors who:

- are looking for a combination of income and investment growth

- seek income whether in the form of capital appreciation or distributions
- are interested in exposure to bond markets globally, either for a core investment or for diversification
- accept the risks associated with this type of investment

**Processing requests** Requests to buy, exchange and sell shares that are received and accepted by the transfer agent by 1:00 PM CET on any dealing day are ordinarily processed the same day, at a NAV calculated using market values from that day.

Settlement occurs within 3 business days after a request has been accepted.

### Fees (%)

Main share class	Max. one-time fees		Annual fees		
	Entry	CDSC	Management	Adminis-tration	Distribution
A	4.00	—	1.00	0.19	—
B	—	4.00 <sup>1</sup>	1.00	0.19	1.00
C	3.00	1.00 <sup>2</sup>	1.45	0.19	—
F	—	—	0.45	0.19	—
I	3.00	—	0.45	0.14	—
J	—	—	0.25	0.14	—
S	—	—	0.45	0.10	—
Z	1.00	—	0.45	0.10	—

<sup>1</sup>Contingent deferred sales charge applies to shares sold within 4 years of purchase and decreases yearly by 1%. After 4 years these shares automatically convert into class A shares.

<sup>2</sup>Contingent deferred sales charge applies to shares sold within 1 year of purchase.

Hedged share classes also pay a hedging fee of maximum 0.03%. For more about fees and expenses, see "Fund Fees and Costs" on page 200. For a current and complete list of available share classes, go to [morganstanleyinvestmentfunds.com](http://morganstanleyinvestmentfunds.com).

# European High Yield Bond Fund

## Investment Objective and Policy

**Objective** To increase the value of your investment through a combination of income and growth of capital (total return).

**Investment policy** The fund invests at least 70% of total net assets in a range of below investment grade (high yield) fixed income securities, such as government and corporate bonds, issued anywhere in the world, including emerging markets, and denominated in a European currency.

Specifically, these investments are in bonds rated lower than BBB-/Baa3 and unrated, and may include, among other fixed income securities, securitised instruments, such as asset-backed securities (ABSs) and loan assignments and participations.

The fund may invest up to 30% of total net assets in bonds not meeting the criteria of the fund's primary investments, such as investment grade bonds, and other types of securities.

The fund may invest in, or be exposed to, the following, up to the percentage of total net assets indicated:

- contingent convertible (coco) bonds: 20%
- Chinese bonds (through the China Interbank Bond Market): 10%

Non-base currency exposure may be partially or fully hedged to the base currency of the fund.

See also "Permitted assets, techniques and transactions" on page 177.

**Derivatives and techniques** The fund may use derivatives for reducing risks (hedging) and costs, and for investment purposes.

In addition to core derivatives (see "How the Funds Use Instruments and Techniques"), the fund may use total return swaps (TRSs).

*TRS usage* 0% of total net assets expected, 25% maximum.

*Securities lending* 15% of total net assets expected, 33% maximum.

**Strategy** In actively managing the fund, the investment manager combines macroeconomic, market and fundamental analysis to identify securities that appear to offer the best return for their risk level (top-down and bottom-up approach). The fund is not benchmark-constrained and its performance may deviate significantly from that of the benchmark.

**Sustainability approach** The investment manager applies proprietary assessment and scoring methodologies that are bespoke to fixed income securities the fund may invest in, focused on corporate, sovereign and securitised issuance. Additionally, as part of the investment manager's bottom-up, fundamental research process, and in its engagements with issuers, the investment manager 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 and climate risk, circular economy and waste reduction, diverse and inclusive business, and decent work and resilient jobs. The investment manager will monitor core sustainability indicators, including ESG assessments from third party providers, and carbon footprint (measured by carbon intensity, defined as tonnes of CO2 equivalent 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 manager also deploys a proprietary assessment framework for labelled sustainable bonds, through which the robustness, impact and transparency of such instruments are evaluated.

The investment manager 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
- manufacturing or production of tobacco

With respect to fossil fuel activities specifically, the investment manager 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 more than 5% revenue from such business activity.

As an exception to the above coal restriction, the fund may invest in labelled Green and Sustainability Bonds that are issued to raise capital specifically for climate-related projects, 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 manager. 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.

The investment manager may decide to implement additional restrictions to the fund, and such new restrictions will be disclosed in the fund's [SFDR website disclosure](#).

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 manager, taking into account the best interests of the shareholders of the fund.

The investment manager monitors business practices on an ongoing basis, through data on ESG controversies and standards screening that the investment manager sources from third party providers. The investment manager 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.

The investment manager 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 manager using internal methodologies or reasonable estimates. The methodologies used by different data providers may also vary and may result in different scores.

*SFDR product category* Article 8.

For more information on sustainability, see the fund's sustainability annex and the "Sustainable Investing" section on page 175.

**Benchmark(s)** See the Key Information Document for information on the benchmark that is used for performance comparison. See page 175 for usage definitions.

**Fund base currency** EUR.

*Continues on next page.*

## Main Risks

The risks below are divided according to how frequent (but not necessarily how significant) their effect may be on the fund. These are only the main risks, not a comprehensive listing. See "Risk Descriptions" on page 167 for more information.

### Risks typically associated with ordinary conditions

- ABS/MBS
- Coco bonds
- Country risk — China
- Credit incl. below investment grade and unrated
- Currency
- Derivatives
- Emerging markets
- ESG/sustainability
- Eurozone
- Hedging
- Interest rate
- Investment fund
- Leverage
- Management
- Market
- Prepayment and extension

### Risks typically associated with unusual conditions or unpredictable events

- Circumstantial liquidity
- Counterparty and collateral, incl. securities techniques
- Default
- Operational and cyber
- Standard practices
- Tax change

**Risk monitoring approach** Relative VaR, with the ICE BofAML European Currency High Yield 3% Constrained Ex-Sub Financials Index used as a reference portfolio. Expected gross leverage: 100% (not guaranteed; may be higher or lower).

## Planning your Investment

**Investor profile** Investors who understand the risks of the fund and plan to invest for the medium term.

The fund may appeal to investors who:

- are looking for a combination of income and investment growth
- seek income whether in the form of capital appreciation or distributions
- are interested in exposure to high-yield bond markets globally, either for a core investment or for diversification
- accept the risks associated with this type of investment

**Processing requests** Requests to buy, exchange and sell shares that are received and accepted by the transfer agent by 1:00 PM CET on any dealing day are ordinarily processed the same day, at a NAV calculated using market values from that day.

Settlement occurs within 3 business days after a request has been accepted.

### Fees (%)

Main share class	Max. one-time fees		Annual fees		
	Entry	CDSC	Management	Adminis-tration	Distribution
A	4.00	—	0.85	0.19	—
B	—	4.00 <sup>1</sup>	0.85	0.19	1.00
C	3.00	1.00 <sup>2</sup>	1.50	0.19	—
F	—	—	0.50	0.19	—
I	3.00	—	0.50	0.14	—
J	—	—	—	0.14	—
S	—	—	0.50	0.10	—
Z	1.00	—	0.50	0.10	—

<sup>1</sup> Contingent deferred sales charge applies to shares sold within 4 years of purchase and decreases yearly by 1%. After 4 years these shares automatically convert into class A shares.

<sup>2</sup> Contingent deferred sales charge applies to shares sold within 1 year of purchase.

Hedged share classes also pay a hedging fee of maximum 0.03%. For more about fees and expenses, see "Fund Fees and Costs" on page 200. For a current and complete list of available share classes, go to [morganstanleyinvestmentfunds.com](https://www.morganstanleyinvestmentfunds.com).

# Floating Rate ABS Fund

## Investment Objective and Policy

**Objective** To increase the value of your investment through a combination of income and growth of capital (total return), while seeking to reduce the effect of interest rate movements.

**Investment policy** The fund invests at least 70% of total net assets in floating rate asset-backed securities (ABSs) with a short maturity that are investment grade and issued in developed markets.

Specifically, these investments are in asset- and mortgage-backed securities (ABSs/MBSs) of any type and other securitised instruments, that are investment grade and have a duration of less than two years.

The fund may invest up to 30% of total net assets in bonds not meeting the criteria of the fund's primary investments.

The fund targets a weighted average duration of between 0 and 1 year (it may be higher depending on market conditions).

Non-base currency exposure may be partially or fully hedged to the base currency of the fund.

See also "Permitted assets, techniques and transactions" on page 177.

**Derivatives and techniques** The fund may use derivatives for reducing risks (hedging) and costs, and for investment purposes.

The fund intends to use core derivatives only (see "How the Funds Use Instruments and Techniques").

*TRS usage* None.

*Securities lending* 3% of total net assets expected, 33% maximum.

**Strategy** In actively managing the fund, the investment manager combines macroeconomic, market and fundamental analysis to identify securities that appear to offer the best return for their risk level (top-down and bottom-up approach). The fund is not benchmark-constrained and its performance may deviate significantly from that of the benchmark.

**Sustainability approach** The investment manager applies proprietary assessment and scoring methodologies that are bespoke to fixed income securities the fund will invest in. Additionally, as part of the investment manager's bottom-up, fundamental research process, and in its engagements with issuers, lenders and servicers, the investment manager 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. The investment manager also deploys a proprietary assessment framework for labelled sustainable bonds, through which the robustness, impact and transparency of such instruments are evaluated.

The fund promotes sustainable and responsible business practices by issuers of securitisations. In order to do this, the fund shall not knowingly purchase any securitisation where the investment manager has perceived any of the following which are directly related to the issuer of a securitisation:

- predatory lending practices
- breaches in compliance of standards of the Consumer Financial Protection Bureau (CFPB)
- severe malpractice in payment collection processes and foreclosure practices
- fraudulent behaviour

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.

The investment manager may decide to implement additional restrictions to the fund, and such new restrictions will be disclosed in the fund's [SFDR website disclosure](#).

The investment manager 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 manager using internal methodologies or reasonable estimates. The methodologies used by different data providers may also vary and may result in different scores.

*SFDR product category* Article 8.

For more information on sustainability, see the fund's sustainability annex and the "Sustainable Investing" section on page 175.

**Benchmark(s)** See the Key Information Document for information on the benchmark that is used for performance comparison. See page 175 for usage definitions.

**Fund base currency** EUR.

## Main Risks

The risks below are divided according to how frequent (but not necessarily how significant) their effect may be on the fund. These are only the main risks, not a comprehensive listing. See "Risk Descriptions" on page 167 for more information.

### Risks typically associated with ordinary conditions

- ABS/MBS
- Currency
- Derivatives
- ESG/sustainability
- Eurozone
- Hedging
- Interest rate
- Investment fund
- Management
- Market
- Prepayment and extension

### Risks typically associated with unusual conditions or unpredictable events

- Circumstantial liquidity
- Counterparty and collateral, incl. securities techniques
- Default
- Operational and cyber
- Standard practices
- Tax change

**Risk monitoring approach** Absolute VaR. Expected gross leverage: 100% (not guaranteed; may be higher or lower).

## Planning your Investment

**Investor profile** Investors who understand the risks of the fund and plan to invest for the short term.

The fund may appeal to investors who:

- are looking for a combination of income and investment growth
- seek income whether in the form of capital appreciation or distributions
- are interested in exposure to securitised bond markets globally, either for a core investment or for diversification
- accept the risks associated with this type of investment

**Processing requests** Requests to buy, exchange and sell shares that are received and accepted by the transfer agent by 1:00 PM CET on any dealing day are ordinarily processed the same day, at a NAV calculated using market values from that day.

Settlement occurs within 3 business days after a request has been accepted.

## Fees (%)

Main share class	Max. one-time fees		Annual fees		
	Entry	CDSC	Management	Administration	Distribution
A	4.00	—	0.75	0.19	—
B	—	4.00 <sup>1</sup>	0.75	0.19	1.00
C	3.00	1.00 <sup>2</sup>	1.00	0.19	—
F	—	—	0.30	0.19	—
I	3.00	—	0.30	0.14	—
J	—	—	0.15	0.14	—
S	—	—	0.30	0.10	—
Z	1.00	—	0.30	0.10	—

<sup>1</sup>Contingent deferred sales charge applies to shares sold within 4 years of purchase and decreases yearly by 1%. After 4 years these shares automatically convert into class A shares.

<sup>2</sup>Contingent deferred sales charge applies to shares sold within 1 year of purchase.

Hedged share classes also pay a hedging fee of maximum 0.03%. For more about fees and expenses, see "Fund Fees and Costs" on page 200. For a current and complete list of available share classes, go to [morganstanleyinvestmentfunds.com](http://morganstanleyinvestmentfunds.com).

# Global Asset Backed Securities Focused Fund

## Investment Objective and Policy

**Objective** To increase the value of your investment through a combination of income and growth of capital (total return).

**Investment policy** The fund invests at least 70% of total net assets in mortgage-backed securities anywhere in the world, including emerging markets. Some of these investments may be below investment grade (high yield bonds).

Specifically, these investments are in asset- and mortgage-backed securities (ABSs/MBSs) and other securitised instruments of any type and credit quality, and may include tranches of securitisations of non-performing loans.

The fund may invest up to 30% of total net assets in bonds not meeting the criteria of the fund's primary investments.

The fund may invest in, or be exposed to, the following, up to the percentage of total net assets indicated:

- securities rated at least BBB-/Baa3 or judged equivalent or backed by the US government: 100%, with a minimum of 65%
- non-agency residential mortgage-backed securities (RMBSs): 75%
- unrated securities: 15%
- distressed securities (at time of purchase): 5%

If the holdings described in the first bullet above fall below 65% because of credit downgrades, the fund will take action to bring its holdings above 65% within 6 months.

Non-base currency exposure may be partially or fully hedged to the base currency of the fund.

See also "Permitted assets, techniques and transactions" on page 177.

**Derivatives and techniques** The fund may use derivatives for reducing risks (hedging) and costs, and for investment purposes.

The fund intends to use core derivatives only (see "How the Funds Use Instruments and Techniques").

*TRS usage and securities lending* None.

**Strategy** In actively managing the fund, the investment manager combines macroeconomic, market and fundamental analysis to identify securities that appear to offer the best return for their risk level (top-down and bottom-up approach). The fund is not benchmark-constrained and its performance may deviate significantly from that of the benchmark.

**Sustainability approach** The investment manager applies proprietary assessment and scoring methodologies that are bespoke to fixed income securities the fund will invest in. Additionally, as part of the investment manager's bottom-up, fundamental research process, and in its engagements with issuers, lenders and servicers, the investment manager 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.

The fund promotes sustainable and responsible business practices by issuers of securitisations. In order to do this, the fund shall not knowingly purchase any securitisation where the investment manager has perceived any of the following which are directly related to the issuer of a securitisation:

- predatory lending practices
- breaches in compliance of standards of the Consumer Financial Protection Bureau (CFPB)
- severe malpractice in payment collection processes and foreclosure practices
- fraudulent behaviour

In addition, the fund shall not knowingly purchase any mortgage-backed securities, as defined above, or any other asset backed securities deemed to have negative sustainability characteristics, based on the investment manager's proprietary securitised Environmental, Social, and Governance (ESG) scoring framework, and will seek to make allocations to securitisations with positive environmental or social characteristics, such as, but not limited to, certified energy efficient buildings, affordable housing lending or access to credit for underserved social groups.

The fund also makes a proportion of allocations to Green, Social or Sustainability securitised bonds ("Sustainable Securitisations"), as labelled in the securities' documentation, where the issuer commits to allocate the proceeds to projects making a positive environmental or social contribution. This includes, but is not limited to, securitisations that align with the International Capital Market Association (ICMA)'s Green Bond Principles, Social Bond Principles, and Sustainability Bond Guidelines. The investment manager also deploys a proprietary assessment framework for Sustainable Securitisations through which the robustness, expected impact and transparency of such instruments in the fund are evaluated.

The investment manager may decide to implement additional restrictions to the fund, and such new restrictions will be disclosed in the fund's [SFDR website disclosure](#).

The investment manager 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 manager using internal methodologies or reasonable estimates, using best efforts and in good faith. The methodologies used by different data providers may also vary and may result in different scores.

In relation to this fund, the use of "Focused" in the name refers to the reduced investment universe of the fund following the application of the above ESG criteria.

*SFDR product category* Article 8.

For more information on sustainability, see the fund's sustainability annex and the "Sustainable Investing" section on page 175.

**Benchmark(s)** See the Key Information Document for information on the benchmark that is used for performance comparison. See *page 175 for usage definitions*.

**Fund base currency** USD.

*Continues on next page.*

## Main Risks

The risks below are divided according to how frequent (but not necessarily how significant) their effect may be on the fund. These are only the main risks, not a comprehensive listing. See "Risk Descriptions" on page 167 for more information.

### Risks typically associated with ordinary conditions

- ABS/MBS
- Credit incl. below investment grade and unrated
- Derivatives
- Emerging markets
- ESG/sustainability
- Eurozone
- Hedging
- Interest rate
- Investment fund
- Leverage
- Management
- Market
- Prepayment and extension

### Risks typically associated with unusual conditions or unpredictable events

- Circumstantial liquidity
- Counterparty and collateral
- Default
- Operational and cyber
- Standard practices
- Tax change

**Risk monitoring approach** Absolute VaR. Expected gross leverage: 160% (not guaranteed; may be higher or lower).

## Planning your Investment

**Investor profile** Investors who understand the risks of the fund and plan to invest for the medium term.

The fund may appeal to investors who:

- are looking for a combination of income and investment growth
- seek income whether in the form of capital appreciation or distributions

- are interested in exposure to securitised bond markets globally, either for a core investment or for diversification
- accept the risks associated with this type of investment

**Processing requests** Requests to buy, exchange and sell shares that are received and accepted by the transfer agent by 1:00 PM CET on any dealing day are ordinarily processed the same day, at a NAV calculated using market values from that day.

Settlement occurs within 3 business days after a request has been accepted.

### Fees (%)

Main share class	Max. one-time fees		Annual fees		
	Entry	CDSC	Management	Adminis-tration	Distribution
A	4.00	—	1.00	0.19	—
B	—	4.00 <sup>1</sup>	1.00	0.19	1.00
C	3.00	1.00 <sup>2</sup>	1.60	0.19	—
F	—	—	0.50	0.19	—
I	3.00	—	0.50	0.14	—
J	—	—	0.31	0.14	—
S	—	—	0.50	0.10	—
Z	1.00	—	0.50	0.10	—

<sup>1</sup>Contingent deferred sales charge applies to shares sold within 4 years of purchase and decreases yearly by 1%. After 4 years these shares automatically convert into class A shares.

<sup>2</sup>Contingent deferred sales charge applies to shares sold within 1 year of purchase.

Hedged share classes also pay a hedging fee of maximum 0.03%. For more about fees and expenses, see "Fund Fees and Costs" on page 200. For a current and complete list of available share classes, go to [morganstanleyinvestmentfunds.com](https://www.morganstanleyinvestmentfunds.com).



# Global Asset Backed Securities Fund

## Investment Objective and Policy

**Objective** To increase the value of your investment through a combination of income and growth of capital (total return).

**Investment policy** The fund invests at least 70% of total net assets in mortgage-backed securities anywhere in the world, including emerging markets. Some of these investments may be below investment grade (high yield bonds).

Specifically, these investments are in asset- and mortgage-backed securities (ABSs/MBSs) and other securitised instruments of any type and credit quality.

The fund may invest up to 30% of total net assets in bonds not meeting the criteria of the fund's primary investments.

The fund may invest in, or be exposed to, the following, up to the percentage of total net assets indicated:

- securities rated at least BBB-/Baa3 or judged equivalent or backed by the US government: 100%, with a minimum of 50%

Non-base currency exposure may be partially or fully hedged to the base currency of the fund.

See also "Permitted assets, techniques and transactions" on page 177.

**Derivatives and techniques** The fund may use derivatives for reducing risks (hedging) and costs, and for investment purposes.

The fund intends to use core derivatives only (see "How the Funds Use Instruments and Techniques").

*TRS usage and securities lending* None.

**Strategy** In actively managing the fund, the investment manager combines macroeconomic, market and fundamental analysis to identify securities that appear to offer the best return for their risk level (top-down and bottom-up approach). The fund is not benchmark-constrained and its performance may deviate significantly from that of the benchmark.

**Sustainability approach** The investment manager applies proprietary assessment and scoring methodologies that are bespoke to fixed income securities the fund will invest in. Additionally, as part of the investment manager's bottom-up, fundamental research process, and in its engagements with issuers, lenders and servicers, the investment manager 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. The investment manager also deploys a proprietary assessment framework for labelled sustainable bonds, through which the robustness, impact and transparency of such instruments are evaluated.

The fund promotes sustainable and responsible business practices by issuers of securitisations. In order to do this, the fund shall not knowingly purchase any securitisation where the investment manager has perceived any of the following which are directly related to the issuer of a securitisation:

- predatory lending practices
- breaches in compliance of standards of the Consumer Financial Protection Bureau (CFPB)
- severe malpractice in payment collection processes and foreclosure practices
- fraudulent behaviour

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.

The investment manager may decide to implement additional restrictions to the fund, and such new restrictions will be disclosed in the fund's [SFDR website disclosure](#).

The investment manager 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 manager using internal methodologies or reasonable estimates. The methodologies used by different data providers may also vary and may result in different scores.

*SFDR product category* Article 8.

For more information on sustainability, see the fund's sustainability annex and the "Sustainable Investing" section on page 175.

**Benchmark(s)** See the Key Information Document for information on the benchmark that is used for performance comparison. See *page 175 for usage definitions*.

**Fund base currency** USD.

## Main Risks

The risks below are divided according to how frequent (but not necessarily how significant) their effect may be on the fund. These are only the main risks, not a comprehensive listing. See "Risk Descriptions" on page 167 for more information.

### Risks typically associated with ordinary conditions

- ABS/MBS
- Credit incl. below investment grade
- Derivatives
- Emerging markets
- ESG/sustainability
- Eurozone
- Hedging
- Interest rate
- Investment fund
- Leverage
- Management
- Market
- Prepayment and extension

### Risks typically associated with unusual conditions or unpredictable events

- Circumstantial liquidity
- Counterparty and collateral
- Default
- Operational and cyber
- Standard practices
- Tax change

**Risk monitoring approach** Absolute VaR. Expected gross leverage: 160% (not guaranteed; may be higher or lower).

## Planning your Investment

**Investor profile** Investors who understand the risks of the fund and plan to invest for the medium term.

The fund may appeal to investors who:

- are looking for a combination of income and investment growth
- seek income whether in the form of capital appreciation or distributions
- are interested in exposure to securitised bond markets globally, either for a core investment or for diversification
- accept the risks associated with this type of investment

**Processing requests** Requests to buy, exchange and sell shares that are received and accepted by the transfer agent by 1:00 PM CET on any dealing day are ordinarily processed the same day, at a NAV calculated using market values from that day.

Settlement occurs within 3 business days after a request has been accepted.

### Fees (%)

Main share class	Max. one-time fees		Annual fees		
	Entry	CDSC	Management	Administration	Distribution
A	4.00	—	1.00	0.19	—
B	—	4.00 <sup>1</sup>	1.00	0.19	1.00
C	3.00	1.00 <sup>2</sup>	1.60	0.19	—
F	—	—	0.50	0.19	—
I	3.00	—	0.50	0.14	—
J	—	—	—	0.14	—
S	—	—	0.50	0.10	—
Z	1.00	—	0.50	0.10	—

<sup>1</sup>Contingent deferred sales charge applies to shares sold within 4 years of purchase and decreases yearly by 1%. After 4 years these shares automatically convert into class A shares.

<sup>2</sup>Contingent deferred sales charge applies to shares sold within 1 year of purchase.

Hedged share classes also pay a hedging fee of maximum 0.03%. For more about fees and expenses, see "Fund Fees and Costs" on page 200. For a current and complete list of available share classes, go to [morganstanleyinvestmentfunds.com](https://www.morganstanleyinvestmentfunds.com).

# Global Bond Fund

## Investment Objective and Policy

**Objective** To increase the value of your investment through a combination of income and growth of capital (total return).

**Investment policy** The fund invests at least 70% of total net assets in a range of investment grade fixed income securities, such as government and corporate bonds, issued anywhere in the world, including emerging markets.

Specifically, these investments are in bonds rated at least BBB-/Baa3 and may include, among other fixed income securities, securitised instruments, such as asset- or mortgage-backed securities (ABSs/ MBSs) and loan assignments and participations. The fund may continue to hold investments in securities that are downgraded below BBB-/Baa3 after purchase.

The fund may invest up to 30% of total net assets in bonds not meeting the criteria of the fund's primary investments, such as below investment grade (high yield) bonds, and other types of securities.

The fund may invest in, or be exposed to, the following, up to the percentage of total net assets indicated:

- contingent convertible (coco) bonds: 20%
- Chinese bonds (through the China Interbank Bond Market): 10%
- portfolio bonds downgraded below BBB-/Baa3: 10%

Non-base currency exposure may be partially or fully hedged to the base currency of the fund.

See also "Permitted assets, techniques and transactions" on page 177.

**Derivatives and techniques** The fund may use derivatives for reducing risks (hedging) and costs, and for investment purposes.

In addition to core derivatives (see "How the Funds Use Instruments and Techniques"), the fund may use total return swaps (TRSs).

*TRS usage* 0% of total net assets expected, 25% maximum.

*Securities lending* 2% of total net assets expected, 33% maximum.

**Strategy** In actively managing the fund, the investment manager combines macroeconomic, market and fundamental analysis to identify securities that appear to offer the best return for their risk level (top-down and bottom-up approach). The fund is not benchmark-constrained and its performance may deviate significantly from that of the benchmark.

**Sustainability approach** The investment manager applies proprietary assessment and scoring methodologies that are bespoke to fixed income securities the fund may invest in, focused on corporate, sovereign and securitised issuance. Additionally, as part of the investment manager's bottom-up, fundamental research process, and in its engagements with issuers, the investment manager 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 and climate risk, circular economy and waste reduction, diverse and inclusive business, and decent work and resilient jobs. The investment manager will monitor core sustainability indicators, including ESG assessments from third party providers, and carbon footprint (measured by carbon intensity, defined as tonnes of CO<sub>2</sub> equivalent 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 manager also deploys a proprietary assessment framework for labelled sustainable bonds, through which the robustness, impact and transparency of such instruments are evaluated.

The investment manager 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
- manufacturing or production of tobacco
- mining and extraction of thermal coal, where the company derives 5% or more revenue from such business activity

As an exception to the above coal restriction, the fund may invest in labelled Green and Sustainability Bonds that are issued to raise capital specifically for climate-related projects, 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 manager. 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.

The investment manager may also 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.

The investment manager may decide to implement additional restrictions to the fund, and such new restrictions will be disclosed in the fund's [SFDR website disclosure](#).

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 manager, taking into account the best interests of the shareholders of the fund.

The investment manager monitors business practices on an ongoing basis, through data on ESG controversies and standards screening that the investment manager sources from third party providers. The investment manager 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.

The investment manager 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 manager using internal methodologies or reasonable estimates. The methodologies used by different data providers may also vary and may result in different scores.

*SFDR product category* Article 8.

For more information on sustainability, see the fund's sustainability annex and the "Sustainable Investing" section on page 175.

**Benchmark(s)** See the Key Information Document for information on the benchmark that is used for performance comparison. See page 175 for usage definitions.

**Fund base currency** USD.

*Continues on next page.*

## Main Risks

The risks below are divided according to how frequent (but not necessarily how significant) their effect may be on the fund. These are only the main risks, not a comprehensive listing. See "Risk Descriptions" on page 167 for more information.

### Risks typically associated with ordinary conditions

- ABS/MBS
- Coco bonds
- Country risk — China
- Credit incl. below investment grade
- Currency
- Derivatives
- Emerging markets
- ESG/sustainability
- Eurozone
- Hedging
- Interest rate
- Investment fund
- Leverage
- Management
- Market
- Prepayment and extension

### Risks typically associated with unusual conditions or unpredictable events

- Circumstantial liquidity
- Counterparty and collateral, incl. securities techniques
- Default
- Operational and cyber
- Standard practices
- Tax change

**Risk monitoring approach** Relative VaR, with the Bloomberg Global Aggregate Index used as a reference portfolio. Expected gross leverage: 100% (not guaranteed; may be higher or lower).

## Planning your Investment

**Investor profile** Investors who understand the risks of the fund and plan to invest for the medium term.

The fund may appeal to investors who:

- are looking for a combination of income and investment growth

- seek income whether in the form of capital appreciation or distributions
- are interested in exposure to bond markets globally, either for a core investment or for diversification
- accept the risks associated with this type of investment

**Processing requests** Requests to buy, exchange and sell shares that are received and accepted by the transfer agent by 1:00 PM CET on any dealing day are ordinarily processed the same day, at a NAV calculated using market values from that day.

Settlement occurs within 3 business days after a request has been accepted.

### Fees (%)

Main share class	Max. one-time fees		Annual fees		
	Entry	CDSC	Management	Adminis-tration	Distribution
A	4.00	—	0.80	0.19	—
B	—	4.00 <sup>1</sup>	0.80	0.19	1.00
C	3.00	1.00 <sup>2</sup>	1.45	0.19	—
F	—	—	0.45	0.19	—
I	3.00	—	0.45	0.14	—
J	—	—	—	0.14	—
S	—	—	0.45	0.10	—
Z	1.00	—	0.45	0.10	—

<sup>1</sup>Contingent deferred sales charge applies to shares sold within 4 years of purchase and decreases yearly by 1%. After 4 years these shares automatically convert into class A shares.

<sup>2</sup>Contingent deferred sales charge applies to shares sold within 1 year of purchase.

Hedged share classes also pay a hedging fee of maximum 0.03%. For more about fees and expenses, see "Fund Fees and Costs" on page 200. For a current and complete list of available share classes, go to [morganstanleyinvestmentfunds.com](http://morganstanleyinvestmentfunds.com).

# Global Convertible Bond Fund

## Investment Objective and Policy

**Objective** To increase the value of your investment through a combination of income and growth of capital (total return).

**Investment policy** The fund invests at least 70% of total net assets in corporate convertible bonds issued anywhere in the world, including emerging markets, and denominated in a global currency (such as USD, EUR and GBP). Some of these investments may be below investment grade (high yield bonds).

Specifically, these investments are in convertible bonds of any credit quality.

The fund may invest up to 30% of total net assets in bonds not meeting the criteria of the fund's primary investments, and other types of securities, such as straight bonds, equities and equity-related securities.

The fund may invest in, or be exposed to, the following, up to the percentage of total net assets indicated:

- contingent convertible (coco) bonds: 20%

Non-base currency exposure may be partially or fully hedged to the base currency of the fund.

See also "Permitted assets, techniques and transactions" on page 177.

**Derivatives and techniques** The fund may use derivatives for reducing risks (hedging) and costs, and for investment purposes.

The fund intends to use core derivatives only (see "How the Funds Use Instruments and Techniques").

*TRS usage* None.

*Securities lending* 9% of total net assets expected, 33% maximum.

**Strategy** In actively managing the fund, the investment manager combines macroeconomic, market and fundamental analysis to identify securities that appear to offer the best return for their risk level (top-down and bottom-up approach). The fund is not benchmark-constrained and its performance may deviate significantly from that of the benchmark.

**Sustainability approach** The investment manager applies proprietary assessment and scoring methodologies that are bespoke to fixed income securities the fund may invest in, focused on corporate, sovereign and securitised issuance. Additionally, as part of the investment manager's bottom-up, fundamental research process, and in its engagements with issuers, the investment manager 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 and climate risk, circular economy and waste reduction, diverse and inclusive business, and decent work and resilient jobs. The investment manager will monitor core sustainability indicators, including ESG assessments from third party providers, and carbon footprint (measured by carbon intensity, defined as tonnes of CO<sub>2</sub> equivalent 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 manager also deploys a proprietary assessment framework for labelled sustainable bonds, through which the robustness, impact and transparency of such instruments are evaluated.

The investment manager 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
- manufacturing or production of tobacco

With respect to fossil fuel activities specifically, the investment manager 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 more than 5% revenue from such business activity.

As an exception to the above coal restriction, the fund may invest in labelled Green and Sustainability Bonds that are issued to raise capital specifically for climate-related projects, 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 manager. The fund may also invest in issuers who may not themselves contribute to the specific environmental or social characteristics promoted by the financial product such as hedging instruments.

The investment manager may decide to implement additional restrictions to the fund, and such new restrictions will be disclosed in the fund's [SFDR website disclosure](#).

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 manager, taking into account the best interests of the shareholders of the fund.

The investment manager monitors business practices on an ongoing basis, through data on ESG controversies and standards screening that the investment manager sources from third party providers. The investment manager 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.

The investment manager 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 manager using internal methodologies or reasonable estimates. The methodologies used by different data providers may also vary and may result in different scores.

*SFDR product category* Article 8.

For more information on sustainability, see the fund's sustainability annex and the "Sustainable Investing" section on page 175.

**Benchmark(s)** See the Key Information Document for information on the benchmark that is used for performance comparison. See page 175 for usage definitions.

**Fund base currency** USD.

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## Main Risks

The risks below are divided according to how frequent (but not necessarily how significant) their effect may be on the fund. These are only the main risks, not a comprehensive listing. See "Risk Descriptions" on page 167 for more information.

### Risks typically associated with ordinary conditions

- ABS/MBS
- Coco bonds
- Convertible bonds
- Credit incl. below investment grade
- Currency
- Derivatives
- Emerging markets
- Equities
- ESG/sustainability
- Eurozone
- Hedging
- Interest rate
- Investment fund
- Leverage
- Management
- Market
- Prepayment and extension

### Risks typically associated with unusual conditions or unpredictable events

- Circumstantial liquidity
- Counterparty and collateral, incl. securities techniques
- Default
- Operational and cyber
- Standard practices
- Tax change

**Risk monitoring approach** Relative VaR, with the Refinitiv Global Convertible Index Global Focus Hedged USD used as a reference portfolio. Expected gross leverage: 100% (not guaranteed; may be higher or lower).

## Planning your Investment

**Investor profile** Investors who understand the risks of the fund and plan to invest for the medium term.

The fund may appeal to investors who:

- are looking for a combination of income and investment growth
- seek income whether in the form of capital appreciation or distributions
- are interested in exposure to convertible bond markets globally, either for a core investment or for diversification
- accept the risks associated with this type of investment

**Processing requests** Requests to buy, exchange and sell shares that are received and accepted by the transfer agent by 1:00 PM CET on any dealing day are ordinarily processed the same day, at a NAV calculated using market values from that day.

Settlement occurs within 3 business days after a request has been accepted.

### Fees (%)

Main share class	Max. one-time fees		Annual fees		
	Entry	CDSC	Management	Adminis-tration	Distribution
A	4.00	—	1.00	0.19	—
B	—	4.00 <sup>1</sup>	1.00	0.19	1.00
C	3.00	1.00 <sup>2</sup>	1.60	0.19	—
F	—	—	0.60	0.19	—
I	3.00	—	0.60	0.14	—
J	—	—	—	0.14	—
S	—	—	0.55	0.10	—
Z	1.00	—	0.60	0.10	—

<sup>1</sup> Contingent deferred sales charge applies to shares sold within 4 years of purchase and decreases yearly by 1%. After 4 years these shares automatically convert into class A shares.

<sup>2</sup> Contingent deferred sales charge applies to shares sold within 1 year of purchase.

Hedged share classes also pay a hedging fee of maximum 0.03%. For more about fees and expenses, see "Fund Fees and Costs" on page 200. For a current and complete list of available share classes, go to [morganstanleyinvestmentfunds.com](http://morganstanleyinvestmentfunds.com).

# Global Credit Fund

## Investment Objective and Policy

**Objective** To increase the value of your investment through a combination of income and growth of capital (total return).

**Investment policy** The fund invests at least 70% of total net assets in corporate bonds issued anywhere in the world, including emerging markets, and denominated in USD, EUR, GBP or another global currency. Some of these investments may be below investment grade (high yield bonds).

Specifically, these investments are in corporate bonds rated at least B-/B3 or, in the case of securitised instruments, BBB-/Baa3. If these securities are downgraded below B-/B3 or, in the case of securitised instruments, below BBB-/Baa3, the fund may hold such securities up to 3% of total net assets but will divest any of them that has not been upgraded to the required credit rating within six months. For more information on credit policies, see page 175. Securitised instruments may include asset- and mortgage-backed securities (ABSs/MBSSs).

The fund may invest up to 30% of total net assets in bonds not meeting the criteria of the fund's primary investments, such as government bonds, and other types of securities.

The fund may invest in, or be exposed to, the following, up to the percentage of total net assets indicated:

- contingent convertible (coco) bonds: 20%
- Chinese bonds (through the China Interbank Bond Market): 10%

Non-base currency exposure may be partially or fully hedged to the base currency of the fund.

See also "Permitted assets, techniques and transactions" on page 177.

**Derivatives and techniques** The fund may use derivatives for reducing risks (hedging) and costs, and for investment purposes.

In addition to core derivatives (see "How the Funds Use Instruments and Techniques"), the fund may use total return swaps (TRSs).

*TRS usage* 0% of total net assets expected, 25% maximum.

*Securities lending* 2% of total net assets expected, 33% maximum.

**Strategy** In actively managing the fund, the investment manager combines macroeconomic, market and fundamental analysis to identify securities that appear to offer the best return for their risk level (top-down and bottom-up approach). The fund is not benchmark-constrained and its performance may deviate significantly from that of the benchmark.

**Sustainability approach** The investment manager applies proprietary assessment and scoring methodologies that are bespoke to fixed income securities the fund may invest in, focused on corporate, sovereign and securitised issuance. Additionally, as part of the investment manager's bottom-up, fundamental research process, and in its engagements with issuers, the investment manager 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 and climate risk, circular economy and waste reduction, diverse and inclusive business, and decent work and resilient jobs. The investment manager will monitor core sustainability indicators, including ESG assessments from third party providers, and carbon footprint (measured by carbon intensity, defined as tonnes of CO2 equivalent 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 manager also deploys a proprietary assessment framework for labelled sustainable bonds, through which the robustness, impact and transparency of such instruments are evaluated.

The investment manager 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
- manufacturing or production of tobacco
- mining and extraction of thermal coal, where the company derives 5% or more revenue from such business activity

As an exception to the above coal restriction, the fund may invest in labelled Green and Sustainability Bonds that are issued to raise capital specifically for climate-related projects, 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 manager. 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.

The investment manager may also 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.

The investment manager may decide to implement additional restrictions to the fund, and such new restrictions will be disclosed in the fund's [SFDR website disclosure](#).

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 manager, taking into account the best interests of the shareholders of the fund.

The investment manager monitors business practices on an ongoing basis, through data on ESG controversies and standards screening that the investment manager sources from third party providers. The investment manager 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.

The investment manager 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 manager using internal methodologies or reasonable estimates. The methodologies used by different data providers may also vary and may result in different scores.

*SFDR product category* Article 8.

For more information on sustainability, see the fund's sustainability annex and the "Sustainable Investing" section on page 175.

**Benchmark(s)** See the Key Information Document for information on the benchmark that is used for performance comparison. See page 175 for usage definitions.

**Fund base currency** USD.

*Continues on next page.*

## Main Risks

The risks below are divided according to how frequent (but not necessarily how significant) their effect may be on the fund. These are only the main risks, not a comprehensive listing. See "Risk Descriptions" on page 167 for more information.

### Risks typically associated with ordinary conditions

- ABS/MBS
- Coco bonds
- Country risk — China
- Credit incl. below investment grade
- Currency
- Derivatives
- Emerging markets
- ESG/sustainability
- Eurozone
- Hedging
- Interest rate
- Investment fund
- Leverage
- Management
- Market
- Prepayment and extension

### Risks typically associated with unusual conditions or unpredictable events

- Circumstantial liquidity
- Counterparty and collateral, incl. securities techniques
- Default
- Operational and cyber
- Standard practices
- Tax change

**Risk monitoring approach** Relative VaR, with the Bloomberg Global Aggregate Corporate Index used as a reference portfolio. Expected gross leverage: 160% (not guaranteed; may be higher or lower).

## Planning your Investment

**Investor profile** Investors who understand the risks of the fund and plan to invest for the medium term.

The fund may appeal to investors who:

- are looking for a combination of income and investment growth
- seek income whether in the form of capital appreciation or distributions
- are interested in exposure to corporate bond markets globally, either for a core investment or for diversification
- accept the risks associated with this type of investment

**Processing requests** Requests to buy, exchange and sell shares that are received and accepted by the transfer agent by 1:00 PM CET on any dealing day are ordinarily processed the same day, at a NAV calculated using market values from that day.

Settlement occurs within 3 business days after a request has been accepted.

### Fees (%)

Main share class	Max. one-time fees		Annual fees		
	Entry	CDSC	Management	Administration	Distribution
A	4.00	—	0.80	0.19	—
B	—	4.00 <sup>1</sup>	0.80	0.19	1.00
C	3.00	1.00 <sup>2</sup>	1.45	0.19	—
F	—	—	0.45	0.19	—
I	3.00	—	0.45	0.14	—
J	—	—	—	0.14	—
S	—	—	0.45	0.10	—
Z	1.00	—	0.45	0.10	—

<sup>1</sup> Contingent deferred sales charge applies to shares sold within 4 years of purchase and decreases yearly by 1%. After 4 years these shares automatically convert into class A shares.

<sup>2</sup> Contingent deferred sales charge applies to shares sold within 1 year of purchase.

Hedged share classes also pay a hedging fee of maximum 0.03%. For more about fees and expenses, see "Fund Fees and Costs" on page 200. For a current and complete list of available share classes, go to [morganstanleyinvestmentfunds.com](https://www.morganstanleyinvestmentfunds.com).

# Global Credit Opportunities Fund

## Investment Objective and Policy

**Objective** To increase the value of your investment through a combination of income and growth of capital (total return).

**Investment policy** The fund invests at least 70% of total net assets in corporate bonds issued in developed markets. Some of these investments may be below investment grade (high yield bonds).

Specifically, these investments are in corporate bonds rated at least B-/B3 or, in the case of securitised instruments, BBB-/Baa3. If these securities are downgraded below B-/B3 or, in the case of securitised instruments, below BBB-/Baa3, the fund may hold such securities up to 3% of total net assets but will divest any of them that has not been upgraded to the required credit rating within six months. For more information on credit policies, see page 175. These investments may include convertible bonds and securitised instruments, such as asset- or mortgage-backed securities (ABSs/MBSs) and loan assignments and participations.

The fund may invest up to 30% of total net assets in bonds not meeting the criteria of the fund's primary investments, and other types of securities.

The fund may invest in, or be exposed to, the following, up to the percentage of total net assets indicated:

- contingent convertible (coco) bonds: 20%
- Chinese bonds (through the China Interbank Bond Market): 10%

Non-base currency exposure may be partially or fully hedged to the base currency of the fund.

See also "Permitted assets, techniques and transactions" on page 177.

**Derivatives and techniques** The fund may use derivatives for reducing risks (hedging) and costs, and for investment purposes. The fund intends to use core derivatives only (see "How the Funds Use Instruments and Techniques").

**TRS usage** None.

**Securities lending** 3% of total net assets expected, 33% maximum.

**Strategy** In actively managing the fund, the investment manager combines macroeconomic, market and fundamental analysis to identify securities that appear to offer the best return for their risk level (top-down and bottom-up approach). The fund is not benchmark-constrained and its performance may deviate significantly from that of the benchmark.

**Sustainability approach** The investment manager applies proprietary assessment and scoring methodologies that are bespoke to fixed income securities the fund may invest in, focused on corporate and securitised issuance. Additionally, as part of the investment manager's bottom-up, fundamental research process, and in its engagements with issuers, the investment manager 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 and climate risk, circular economy and waste reduction, diverse and inclusive business, and decent work and resilient jobs. The investment manager 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 manager also deploys a proprietary assessment framework for labelled sustainable bonds, through which the robustness, impact and transparency of such instruments are evaluated.

The investment manager promotes the low carbon transition through excluding corporate issuers for which thermal coal production is a core business, and promotes human health and wellbeing, through exclusion of 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
- manufacturing or production of tobacco
- mining and extraction of thermal coal, where the company derives 5% or more revenue from such business activity

As an exception to the above coal restriction, the fund may invest in labelled Green and Sustainability Bonds that are issued to raise capital specifically for climate-related projects, 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 manager. 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.

The investment manager may also 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.

The investment manager may decide to implement additional restrictions to the fund, and such new restrictions will be disclosed in the fund's [SFDR website disclosure](#).

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 manager, taking into account the best interests of the shareholders of the fund.

The investment manager monitors business practices on an ongoing basis, through data on ESG controversies and standards screening that the investment manager sources from third party providers. The investment manager 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.

The investment manager 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 manager using internal methodologies or reasonable estimates. The methodologies used by different data providers may also vary and may result in different scores.

**SFDR product category** Article 8.

For more information on sustainability, see the fund's sustainability annex and the "Sustainable Investing" section on page 175.

**Benchmark(s)** See the Key Information Document for information on the benchmark that is used for performance comparison. See page 175 for usage definitions.

**Fund base currency** USD.

*Continues on next page.*



## Main Risks

The risks below are divided according to how frequent (but not necessarily how significant) their effect may be on the fund. These are only the main risks, not a comprehensive listing. See "Risk Descriptions" on page 167 for more information.

### Risks typically associated with ordinary conditions

- ABS/MBS
- Coco bonds
- Convertible bonds
- Credit incl. below investment grade
- Currency
- Derivatives
- Emerging markets
- ESG/sustainability
- Eurozone
- Hedging
- Interest rate
- Investment fund
- Leverage
- Management
- Market
- Prepayment and extension

### Risks typically associated with unusual conditions or unpredictable events

- Circumstantial liquidity
- Counterparty and collateral, incl. securities techniques
- Default
- Operational and cyber
- Standard practices
- Tax change

**Risk monitoring approach** Absolute VaR. Expected gross leverage: 160% (not guaranteed; may be higher or lower).

## Planning your Investment

**Investor profile** Investors who understand the risks of the fund and plan to invest for the medium term.

The fund may appeal to investors who:

- are looking for a combination of income and investment growth

- seek income whether in the form of capital appreciation or distributions
- are interested in exposure to developed bond markets, either for a core investment or for diversification
- accept the risks associated with this type of investment

**Processing requests** Requests to buy, exchange and sell shares that are received and accepted by the transfer agent by 1:00 PM CET on any dealing day are ordinarily processed the same day, at a NAV calculated using market values from that day.

Settlement occurs within 3 business days after a request has been accepted.

### Fees (%)

Main share class	Max. one-time fees		Annual fees		
	Entry	CDSC	Management	Adminis-tration	Distribution
A	4.00	—	1.15	0.19	—
B	—	4.00 <sup>1</sup>	1.15	0.19	1.00
C	3.00	1.00 <sup>2</sup>	1.50	0.19	—
F	—	—	0.45	0.19	—
I	3.00	—	0.45	0.14	—
J	—	—	0.23	0.14	—
S	—	—	0.45	0.10	—
Z	1.00	—	0.45	0.10	—

<sup>1</sup>Contingent deferred sales charge applies to shares sold within 4 years of purchase and decreases yearly by 1%. After 4 years these shares automatically convert into class A shares.

<sup>2</sup>Contingent deferred sales charge applies to shares sold within 1 year of purchase.

Hedged share classes also pay a hedging fee of maximum 0.03%. For more about fees and expenses, see "Fund Fees and Costs" on page 200. For a current and complete list of available share classes, go to [morganstanleyinvestmentfunds.com](https://www.morganstanleyinvestmentfunds.com).

# Global Fixed Income Opportunities Fund

## Investment Objective and Policy

**Objective** To increase the value of your investment through a combination of income and growth of capital (total return).

**Investment policy** The fund invests at least 70% of total net assets in a range of fixed income securities, such as government and corporate bonds, convertible bonds, asset-backed securities, issued anywhere in the world, including emerging markets, and in currencies. Some of these investments may be below investment grade (high yield bonds).

Specifically, these investments are in bonds of any credit quality and may include securitised instruments, such as asset- or mortgage-backed securities (ABSs/MBSs) and loan assignments and participations, and convertible bonds.

The fund may invest up to 30% of total net assets in bonds not meeting the criteria of the fund's primary investments, and other types of securities, such as equities and equity-related securities.

The fund may invest in, or be exposed to, the following, up to the percentage of total net assets indicated:

- contingent convertible (coco) bonds: 20%
- Chinese bonds (through the China Interbank Bond Market): 10%

Non-base currency exposure may be partially or fully hedged to the base currency of the fund.

See also "Permitted assets, techniques and transactions" on page 177.

**Derivatives and techniques** The fund may use derivatives for reducing risks (hedging) and costs, and for investment purposes.

In addition to core derivatives (see "How the Funds Use Instruments and Techniques"), the fund may use total return swaps (TRSs).

*TRS usage* 0% of total net assets expected, 25% maximum.

*Securities lending* 2% of total net assets expected, 33% maximum.

**Strategy** In actively managing the fund, the investment manager uses macroeconomic analysis to determine bond sector exposure. It then combines fundamental and quantitative market analysis to identify securities that appear to offer the best return for their risk level and builds a highly diversified portfolio (top-down and bottom-up approach).

**Sustainability approach** The investment manager applies proprietary assessment and scoring methodologies that are bespoke to fixed income securities the fund may invest in, focused on corporate, sovereign and securitised issuance. Additionally, as part of the investment manager's bottom-up, fundamental research process, and in its engagements with issuers, the investment manager 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 and climate risk, circular economy and waste reduction, diverse and inclusive business, and decent work and resilient jobs. The investment manager 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 CO<sub>2</sub> equivalent 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 manager also deploys a proprietary assessment framework for labelled sustainable bonds, through which the robustness, impact and transparency of such instruments are evaluated.

The investment manager 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
- manufacturing or production of tobacco
- mining and extraction of thermal coal, where the company derives 5% or more revenue from such business activity

The exception to the above coal exclusion is that the fund may invest in labelled Green and Sustainability bonds, which are issued to raise capital specifically for climate-related projects, 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 manager. 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.

The investment manager may also 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.

The investment manager may decide to implement additional restrictions to the fund, and such new restrictions will be disclosed in the fund's [SFDR website disclosure](#).

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 manager, taking into account the best interests of the shareholders of the fund.

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

The investment manager 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 manager using internal methodologies or reasonable estimates. The methodologies used by different data providers may also vary and may result in different scores.

*SFDR product category* Article 8.

For more information on sustainability, see the fund's sustainability annex and the "Sustainable Investing" section on page 175.

**Benchmark(s)** See the Key Information Document for information on the benchmark that is used for performance comparison. See page 175 for usage definitions.

**Fund base currency** USD.

*Continues on next page.*

## Main Risks

The risks below are divided according to how frequent (but not necessarily how significant) their effect may be on the fund. These are only the main risks, not a comprehensive listing. See "Risk Descriptions" on page 167 for more information.

### Risks typically associated with ordinary conditions

- ABS/MBS
- Eurozone
- Coco bonds
- Hedging
- Convertible bonds
- Country risk — China
- Interest rate
- Credit incl. below investment grade
- Investment fund
- Currency
- Leverage
- Derivatives
- Management
- Equities
- Market
- Emerging markets
- Prepayment and extension

### Risks typically associated with unusual conditions or unpredictable events

- Circumstantial liquidity
- Operational and cyber
- Counterparty and collateral, incl. securities techniques
- Standard practices
- Default
- Tax change

**Risk monitoring approach** Absolute VaR. Expected gross leverage: 160% (not guaranteed; may be higher or lower).

## Planning your Investment

**Investor profile** Investors who understand the risks of the fund and plan to invest for the medium term.

The fund may appeal to investors who:

- are looking for a combination of income and investment growth

- seek income whether in the form of capital appreciation or distributions
- are interested in exposure to bond markets globally, either for a core investment or for diversification
- accept the risks associated with this type of investment

**Processing requests** Requests to buy, exchange and sell shares that are received and accepted by the transfer agent by 1:00 PM CET on any dealing day are ordinarily processed the same day, at a NAV calculated using market values from that day.

Settlement occurs within 3 business days after a request has been accepted.

### Fees (%)

Main share class	Max. one-time fees		Annual fees		
	Entry	CDSC	Management	Adminis-tration	Distribution
A	4.00	—	1.00	0.19	—
B	—	4.00 <sup>1</sup>	1.00	0.19	1.00
C	3.00	1.00 <sup>2</sup>	1.45	0.19	—
F	—	—	0.45	0.19	—
I	3.00	—	0.45	0.14	—
J	—	—	—	0.14	—
S	—	—	0.45	0.10	—
Z	1.00	—	0.45	0.10	—

<sup>1</sup>Contingent deferred sales charge applies to shares sold within 4 years of purchase and decreases yearly by 1%. After 4 years these shares automatically convert into class A shares.

<sup>2</sup>Contingent deferred sales charge applies to shares sold within 1 year of purchase.

Hedged share classes also pay a hedging fee of maximum 0.03%. For more about fees and expenses, see "Fund Fees and Costs" on page 200. For a current and complete list of available share classes, go to [morganstanleyinvestmentfunds.com](http://morganstanleyinvestmentfunds.com).

# Global High Yield Bond Fund

## Investment Objective and Policy

**Objective** To increase the value of your investment through a combination of income and growth of capital (total return).

**Investment policy** The fund invests at least 70% of total net assets in a range of below investment grade (high yield) fixed income securities, such as corporate and government bonds, issued anywhere in the world, including emerging markets.

Specifically, these investments are in bonds rated lower than BBB-/Baa3 or unrated, and may include, among other fixed income securities, securitised instruments, such as asset-backed securities (ABSs) and loan assignments and participations.

The fund may invest up to 30% of total net assets in bonds not meeting the criteria of the fund's primary investments, such as investment grade bonds, and other types of securities, such as equities and equity-related securities.

The fund may invest in, or be exposed to, the following, up to the percentage of total net assets indicated:

- bonds rated D (S&P) or C (Moody's), or unrated: 20%
- contingent convertible (coco) bonds: 20%
- Chinese bonds (through the China Interbank Bond Market): 10%

Non-base currency exposure may be partially or fully hedged to the base currency of the fund.

See also "Permitted assets, techniques and transactions" on page 177.

**Derivatives and techniques** The fund may use derivatives for reducing risks (hedging) and costs, and for investment purposes.

The fund intends to use core derivatives only (see "How the Funds Use Instruments and Techniques").

*TRS usage and securities lending* None.

**Strategy** In actively managing the fund, the investment manager combines macroeconomic, market and fundamental analysis to select securities that meet the fund's sustainability criteria and offer the best return for their risk level (top-down and bottom-up approach). The fund is not benchmark-constrained and its performance may deviate significantly from that of the benchmark.

**Sustainability approach** The fund promotes the environmental characteristic of climate change mitigation by excluding corporate issuers that derive 5% or more revenue from thermal coal mining and extraction, and it promotes the social characteristic of avoiding investments in companies deriving any revenue from certain activities which can cause harm to health and wellbeing, specifically tobacco manufacturing, controversial weapons and civilian firearms manufacturing or retail.

The exception to the above thermal coal exclusion is that the fund may invest in labelled green or sustainability bonds, which are issued to raise capital specifically for climate-related or environmental projects, so long as the investment manager 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 manager.

The fund also makes some allocations to sustainable investments in issuers making a positive contribution towards the United Nations Sustainable Development Goals (SDGs) and in labelled green, social or sustainability bonds making a positive environmental or social contribution through their use of proceeds.

In addition to the above exclusions, the investment manager monitors business practices on an ongoing basis, through data on ESG controversies and standards screening sourced from third party providers. The investment manager 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.

The investment manager may decide to implement additional restrictions to the fund, and such new restrictions will be disclosed in the fund's [SFDR website disclosure](#).

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 that takes into account the best interests of the shareholders of the fund. The investment manager uses third party data and, in some cases, data on specific issuers, on the sustainability themes or the exclusions noted above may not be available and/or may be estimated by the investment manager using internal methodologies or reasonable estimates. The methodologies used by different data providers may also vary and may result in different scores.

The investment manager relies on proprietary environmental, social and governance (ESG) research and scoring methodologies, as well as on third party data, to incorporate an assessment of sustainability-related risks and opportunities into the bottom-up, fundamental research process, and in engagement meetings with issuers, to determine any 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 sustainability themes such as decarbonisation and climate action, circular economy and waste reduction, diverse and inclusive business and decent work and resilient jobs.

*SFDR product category* Article 8.

For more information on sustainability, see the fund's sustainability annex and the "Sustainable Investing" section on page 175.

**Benchmark(s)** See the Key Information Document for information on the benchmark that is used for performance comparison. See page 175 for usage definitions.

**Fund base currency** USD.

## Main Risks

The risks below are divided according to how frequent (but not necessarily how significant) their effect may be on the fund. These are only the main risks, not a comprehensive listing. See "Risk Descriptions" on page 167 for more information.

### Risks typically associated with ordinary conditions

- ABS/MBS
- Eurozone
- Coco bonds
- Hedging
- Country risk — China
- Interest rate
- Credit incl. below investment grade and unrated
- Investment fund
- Currency
- Leverage
- Derivatives
- Management
- Emerging markets
- Market
- ESG/sustainability
- Prepayment and extension

### Risks typically associated with unusual conditions or unpredictable events

- Circumstantial liquidity
- Operational and cyber
- Counterparty and collateral
- Standard practices
- Default
- Tax change

**Risk monitoring approach** Commitment.

*Continues on next page.*

## Planning your Investment

**Investor profile** Investors who understand the risks of the fund and plan to invest for the medium term.

The fund may appeal to investors who:

- are looking for a combination of income and investment growth
- seek income whether in the form of capital appreciation or distributions
- are interested in exposure to high-yield bond markets globally, either for a core investment or for diversification
- accept the risks associated with this type of investment

**Processing requests** Requests to buy, exchange and sell shares that are received and accepted by the transfer agent by 1:00 PM CET on any dealing day are ordinarily processed the same day, at a NAV calculated using market values from that day.

Settlement occurs within 3 business days after a request has been accepted.

### Fees (%)

Main share class	Max. one-time fees		Annual fees		
	Entry	CDSC	Management	Adminis- tration	Distribution
A	4.00	—	1.00	0.19	—
B	—	4.00 <sup>1</sup>	1.00	0.19	1.00
C	3.00	1.00 <sup>2</sup>	1.60	0.19	—
F	—	—	0.60	0.19	—
I	3.00	—	0.60	0.14	—
J	—	—	—	0.14	—
S	—	—	0.60	0.10	—
Z	1.00	—	0.60	0.10	—

<sup>1</sup> Contingent deferred sales charge applies to shares sold within 4 years of purchase and decreases yearly by 1%. After 4 years these shares automatically convert into class A shares.

<sup>2</sup> Contingent deferred sales charge applies to shares sold within 1 year of purchase.

Hedged share classes also pay a hedging fee of maximum 0.03%. For more about fees and expenses, see "Fund Fees and Costs" on page 200. For a current and complete list of available share classes, go to [morganstanleyinvestmentfunds.com](http://morganstanleyinvestmentfunds.com).

# Global Macro Fund

## Investment Objective and Policy

**Objective** To increase the value of your investment, while seeking to achieve a positive return in any market conditions (absolute return) over any given 3-year period.

**Investment policy** The fund invests, directly or indirectly through derivatives and funds, at least 70% of total net assets in a range of fixed income securities, such as government and corporate bonds, convertible bonds and asset-backed securities, issued anywhere in the world, including emerging markets, and in currencies. Some of these investments may be below investment grade (high yield bonds).

Specifically, these investments are in bonds of any credit quality and may include convertible bonds, securitised instruments, such as asset- or mortgage-backed securities (ABSs/MBSs), structured products, investments in other funds, deposits and, to a limited extent (up to 10% of total net assets), participation notes. Emerging countries are defined as any country that did not become a member of the OECD prior to 1975 and Turkey.

The fund may invest up to 30% of total net assets in securities not meeting the criteria of the fund's primary investments, such as equities and equity-related securities.

The fund may invest in, or be exposed to, the following, up to the percentage of total net assets indicated:

- emerging market securities: 100%
- securitised instruments, such as asset- or mortgage-backed securities (ABSs/MBSs): 20%

Non-base currency exposure may be partially or fully hedged to the base currency of the fund.

See also "Permitted assets, techniques and transactions" on page 177.

**Derivatives and techniques** The fund may use derivatives for reducing risks (hedging) and costs, and for investment purposes.

In addition to core derivatives (see "How the Funds Use Instruments and Techniques"), the fund may use total return swaps (TRSs).

*TRS usage* 10% of total net assets expected, 500% maximum.

*Securities lending* 0% of total net assets expected, 33% maximum.

**Strategy** In actively managing the fund, the investment manager uses macroeconomic and individual country analysis, including fiscal and monetary policies, to determine country, currency and sector exposure. The investment manager then combines market and fundamental analysis to identify securities that appear to offer the best return for their risk level (top-down and bottom-up approach). The investment manager may take both long and short positions on individual securities, buying those it appears will increase in price and taking short positions on those it appears will decline in price or in an effort to implement a hedge. The fund is not benchmark-constrained and its performance may deviate significantly from that of the benchmark.

**Sustainability approach** In evaluating the debt securities issued by governments, government agencies and government-sponsored enterprises in which the fund may invest, the investment manager will integrate environmental, social and governance (ESG) criteria. The investment manager, as part of its research and asset selection process in respect of debt securities, will consider the ESG issues in respect of each country and will carry out a qualitative analysis of each country, rating the ESG factors for each country based on information gathered by the research staff of the investment manager, sub-manager (if applicable) and/or their affiliates as well as third party sources. Such qualitative analysis will be supplemented by quantitative ESG scores attributed by the investment manager to each country and the ESG scores allow for cross-country comparisons. As part of the investment manager's analysis, the investment manager may have regard to ESG factors comprising sustainability risks or opportunities likely to affect the financial condition or performance of the country over a long term investment horizon, including, without

limitation, pollution/environmental/ecosystem health, risk of social unrest, human development, democracy and rights and freedoms.

The investment manager believes that as sustainability issues are sources of long-term risk and return, the integration of sustainability risks as outlined above may assist in enhancing the returns of the fund over the long term.

In making investment decisions, the investment manager does not consider the EU criteria for environmentally sustainable economic activities for the purpose of the Taxonomy Regulation.

*SFDR product category* Article 6.

**Benchmark(s)** See the Key Information Document for information on the benchmark that is used for performance comparison. See page 175 for usage definitions.

**Fund base currency** USD.

## Main Risks

The risks below are divided according to how frequent (but not necessarily how significant) their effect may be on the fund. These are only the main risks, not a comprehensive listing. See "Risk Descriptions" on page 167 for more information.

### Risks typically associated with ordinary conditions

- Absolute return strategies
- ABS/MBS
- Commodity
- Credit incl. below investment grade
- Currency
- Derivatives
- Equities
- Emerging markets
- ESG/sustainability
- Eurozone
- Hedging
- Interest rate
- Investment fund
- Leverage
- Management
- Market
- Prepayment and extension
- Short position
- Volatility strategies

### Risks typically associated with unusual conditions or unpredictable events

- Circumstantial liquidity
- Counterparty and collateral, incl. securities techniques
- Default
- Operational and cyber
- Standard practices
- Tax change

**Risk monitoring approach** Absolute VaR. Expected gross leverage: 450% (not guaranteed; may be higher or lower).

## Planning your Investment

**Investor profile** Investors who understand the risks of the fund and plan to invest for the long term.

The fund may appeal to investors who:

- are looking for a combination of income and investment growth
- seek income whether in the form of capital appreciation or distributions
- are interested in exposure to bond markets globally, either for a core investment or for diversification
- accept the risks associated with this type of investment

**Processing requests** Requests to buy, exchange and sell shares that are received and accepted by the transfer agent by 1:00 PM CET on any dealing day are ordinarily processed the same day, at a NAV calculated using market values from that day.

Settlement occurs within 3 business days after a request has been accepted.

*Continues on next page.*

**Fees (%)**

Main share class	Max. one-time fees		Annual fees			
	Entry	CDSC	Management	Administration	Distribution	Max. emerging mkt custody
A	4.00	—	2.00	0.19	—	0.25
B	—	4.00 <sup>1</sup>	2.00	0.19	1.00	0.25
C	3.00	1.00 <sup>2</sup>	2.65	0.19	—	0.25
F	—	—	0.80	0.19	—	0.25
I	3.00	—	0.80	0.14	—	0.25
J	—	—	—	0.14	—	0.25
S	—	—	0.80	0.10	—	0.25
Z	1.00	—	0.80	0.10	—	0.25

<sup>1</sup>Contingent deferred sales charge applies to shares sold within 4 years of purchase and decreases yearly by 1%. After 4 years these shares automatically convert into class A shares.

<sup>2</sup>Contingent deferred sales charge applies to shares sold within 1 year of purchase.

Hedged share classes also pay a hedging fee of maximum 0.03%. For more about fees and expenses, see "Fund Fees and Costs" on page 200. For a current and complete list of available share classes, go to [morganstanleyinvestmentfunds.com](http://morganstanleyinvestmentfunds.com).

# Short Duration US Government Income Fund

## Investment Objective and Policy

**Objective** To increase the value of your investment through a combination of income and growth of capital (total return).

**Investment policy** The fund invests at least 70% of total net assets in US government bonds.

Specifically, these investments are in bonds issued, backed or otherwise guaranteed, by the US Government or its agencies or instrumentalities. These investments may include mortgage-backed securities (MBSs) — that may represent more than 20% of total net assets — and to-be-announced transactions (TBAs), issued by Ginnie Mae, Fannie Mae or Freddie Mac. TBAs may result in investment leverage.

The fund may also enter into mortgage dollar rolls, whereby the fund sells MBSs for delivery in the current month and simultaneously contracts to repurchase substantially similar (same type, coupon and maturity) MBSs on a specified future date. During the roll period, the fund forgoes principal and interest paid on the MBSs.

The fund may invest up to 30% of total net assets in bonds not meeting the criteria of the fund's primary investments, and other types of securities, such as equity-related securities.

The fund targets a weighted average duration of less than 3 years (it may be higher depending on market conditions).

Non-base currency exposure may be partially or fully hedged to the base currency of the fund.

See also "Permitted assets, techniques and transactions" on page 177.

**Derivatives and techniques** The fund may use derivatives for managing risks and costs, hedging, to seek to enhance total return, and/or as a substitute for the purchase or sale of securities.

In addition to core derivatives (see "How the Funds Use Instruments and Techniques"), the fund may use total return swaps (TRSs) and enter into mortgage dollar rolls.

**TRS usage** 0% of total net assets expected, 100% maximum.

**Securities lending** 0% of total net assets expected, 25% maximum.

**Strategy** In actively managing the fund, the investment manager combines fundamental research and a relative value approach to identify securities that appear to offer the best return for their risk level (top-down and bottom-up approach). In selecting securities it analyses their underlying collateral characteristics, the prepayment expectations for the collateral and the compatibility of their structure with those prepayment expectations. The fund is not benchmark-constrained and its performance may deviate significantly from that of the benchmark.

**Sustainability approach** The investment manager may integrate ESG criteria. The investment manager may utilise the extensive proprietary ESG research generated by its affiliate, Calvert Research and Management, as well as its own ESG research in evaluating investments. Given the investment focus of the fund on debt instruments issued, backed or otherwise guaranteed by the US Government or its agencies or instrumentalities, it is not generally expected that ESG considerations will be a significant factor in the fund's investment decisions. The investment manager believes that as sustainability issues are sources of long-term risk and return, the integration of sustainability risks as outlined above may assist in enhancing the returns of the fund over the long term.

In making investment decisions, the investment manager does not consider the EU criteria for environmentally sustainable economic activities for the purpose of the Taxonomy Regulation.

SFDR product category Article 6.

**Benchmark(s)** See the Key Information Document for information on the benchmark that is used for performance comparison. See page 175 for usage definitions.

**Fund base currency** USD.

## Main Risks

The risks below are divided according to how frequent (but not necessarily how significant) their effect may be on the fund. These are only the main risks, not a comprehensive listing. See "Risk Descriptions" on page 167 for more information.

### Risks typically associated with ordinary conditions

- ABS/MBS
- Credit
- Currency
- Derivatives
- ESG/sustainability
- Hedging
- Interest rate
- Investment fund
- Leverage
- Management
- Market
- Mortgage dollar roll
- Prepayment and extension

### Risks typically associated with unusual conditions or unpredictable events

- Circumstantial liquidity
- Counterparty and collateral, incl. securities techniques
- Default
- Operational and cyber
- Standard practices
- Tax change

**Risk monitoring approach** Absolute VaR. Expected gross leverage: 125% (not guaranteed; may be higher or lower).

## Planning your Investment

**Investor profile** Investors who understand the risks of the fund and plan to invest for the long term.

The fund may appeal to investors who:

- are looking for a combination of income and investment growth
- seek income whether in the form of capital appreciation or distributions
- are interested in exposure to developed bond markets, either for a core investment or for diversification
- accept the risks associated with this type of investment

**Processing requests** Requests to buy, exchange and sell shares that are received and accepted by the transfer agent by 1:00 PM CET on any dealing day are ordinarily processed the same day, at a NAV calculated using market values from that day.

Settlement occurs within 3 business days after a request has been accepted.

## Fees (%)

Main share class	Max. one-time fees		Annual fees		
	Entry	CDSC	Management	Adminis-tration	Distribution
A	4.00	—	1.00	0.19	—
B	—	4.00 <sup>1</sup>	1.00	0.19	1.00
C	3.00	1.00 <sup>2</sup>	1.35	0.19	—
F	—	—	0.40	0.19	—
I	3.00	—	0.40	0.14	—
J	—	—	0.20	0.14	—
S	—	—	0.40	0.10	—
Z	1.00	—	0.40	0.10	—

<sup>1</sup>Contingent deferred sales charge applies to shares sold within 4 years of purchase and decreases yearly by 1%. After 4 years these shares automatically convert into class A shares.

<sup>2</sup>Contingent deferred sales charge applies to shares sold within 1 year of purchase.

Hedged share classes also pay a hedging fee of maximum 0.03%. For more about fees and expenses, see "Fund Fees and Costs" on page 200. For a current and complete list of available share classes, go to [morganstanleyinvestmentfunds.com](https://www.morganstanleyinvestmentfunds.com).



# Short Maturity Euro Bond Fund

## Investment Objective and Policy

**Objective** To increase the value of your investment, mainly through income.

**Investment policy** The fund invests at least 70% of total net assets in short-maturity government and corporate bonds denominated in EUR. Some of these investments may be below investment grade (high yield bonds).

Specifically, these bonds have a maturity (or remaining maturity) of maximum 5 years and are rated at least B-/B3 or, in the case of securitised instruments, BBB-/Baa3. If these securities are downgraded below B-/B3 or, in the case of securitised instruments, below BBB-/Baa3, the fund may hold such securities up to 3% of total net assets but will divest any of them that has not been upgraded to the required credit rating within six months. For more information on credit policies, see page 175. Securitised instruments may include asset- and mortgage-backed securities (ABSs/MBSSs).

The fund may invest up to 30% of total net assets in bonds not meeting the criteria of the fund's primary investments, such as bonds not denominated in EUR, and other types of securities.

The fund may invest in, or be exposed to, the following, up to the percentage of total net assets indicated:

- contingent convertible (coco) bonds: 20%

Non-base currency exposure may be partially or fully hedged to the base currency of the fund.

See also "Permitted assets, techniques and transactions" on page 177.

**Derivatives and techniques** The fund may use derivatives for reducing risks (hedging) and costs, and for investment purposes.

The fund intends to use core derivatives only (see "How the Funds Use Instruments and Techniques").

*TRS usage* None.

*Securities lending* 6% of total net assets expected, 33% maximum.

**Strategy** In actively managing the fund, the investment manager combines macroeconomic, market and fundamental analysis to identify securities that appear to offer the best return for their risk level (top-down and bottom-up approach). The fund is not benchmark-constrained and its performance may deviate significantly from that of the benchmark.

**Sustainability approach** The investment manager applies proprietary assessment and scoring methodologies that are bespoke to fixed income securities the fund may invest in, focused on corporate, sovereign and securitised issuance. Additionally, as part of the investment manager's bottom-up, fundamental research process, and in its engagements with issuers, the investment manager 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 and climate risk, circular economy and waste reduction, diverse and inclusive business, and decent work and resilient jobs. The investment manager will monitor core sustainability indicators, including ESG assessments from third party providers, and carbon footprint (measured by carbon intensity, defined as tonnes of CO2 equivalent 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 manager also deploys a proprietary assessment framework for labelled sustainable bonds, through which the robustness, impact and transparency of such instruments are evaluated.

The investment manager 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
- manufacturing or production of tobacco
- mining and extraction of thermal coal, where the company derives 5% or more revenue from such business activity

As an exception to the above coal restriction, the fund may invest in labelled Green and Sustainability Bonds that are issued to raise capital specifically for climate-related projects, 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 manager. 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.

The investment manager may also 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.

The investment manager may decide to implement additional restrictions to the fund, and such new restrictions will be disclosed in the fund's [SFDR website disclosure](#).

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 manager, taking into account the best interests of the shareholders of the fund.

The investment manager monitors business practices on an ongoing basis, through data on ESG controversies and standards screening that the investment manager sources from third party providers. The investment manager 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.

The investment manager 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 manager using internal methodologies or reasonable estimates. The methodologies used by different data providers may also vary and may result in different scores.

*SFDR product category* Article 8.

For more information on sustainability, see the fund's sustainability annex and the "Sustainable Investing" section on page 175.

**Benchmark(s)** See the Key Information Document for information on the benchmark that is used for performance comparison. See page 175 for usage definitions.

**Fund base currency** EUR.

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## Main Risks

The risks below are divided according to how frequent (but not necessarily how significant) their effect may be on the fund. These are only the main risks, not a comprehensive listing. See "Risk Descriptions" on page 167 for more information.

### Risks typically associated with ordinary conditions

- ABS/MBS
- Coco bonds
- Credit incl. below investment grade
- Currency
- Derivatives
- ESG/sustainability
- Eurozone
- Hedging
- Interest rate
- Investment fund
- Leverage
- Management
- Market
- Prepayment and extension

### Risks typically associated with unusual conditions or unpredictable events

- Circumstantial liquidity
- Counterparty and collateral, incl. securities techniques
- Default
- Operational and cyber
- Standard practices
- Tax change

**Risk monitoring approach** Commitment.

## Planning your Investment

**Investor profile** Investors who understand the risks of the fund and plan to invest for the short term.

The fund may appeal to investors who:

- are looking for an investment with low volatility and an investment with comparatively high environmental or social characteristics

- seek income whether in the form of capital appreciation or distributions
- are interested in exposure to short-term bond markets, either for a core investment or for diversification
- accept the risks associated with this type of investment

**Processing requests** Requests to buy, exchange and sell shares that are received and accepted by the transfer agent by 1:00 PM CET on any dealing day are ordinarily processed the same day, at a NAV calculated using market values from that day.

Settlement occurs within 3 business days after a request has been accepted.

### Fees (%)

Main share class	Max. one-time fees		Annual fees		
	Entry	CDSC	Management	Administration	Distribution
A	4.00	—	0.80	0.19	—
B	—	4.00 <sup>1</sup>	0.80	0.19	1.00
C	3.00	1.00 <sup>2</sup>	1.45	0.19	—
F	—	—	0.45	0.19	—
I	3.00	—	0.45	0.14	—
J	—	—	—	0.14	—
S	—	—	0.45	0.10	—
Z	1.00	—	0.45	0.10	—

<sup>1</sup>Contingent deferred sales charge applies to shares sold within 4 years of purchase and decreases yearly by 1%. After 4 years these shares automatically convert into class A shares.

<sup>2</sup>Contingent deferred sales charge applies to shares sold within 1 year of purchase.

Hedged share classes also pay a hedging fee of maximum 0.03%. For more about fees and expenses, see "Fund Fees and Costs" on page 200. For a current and complete list of available share classes, go to [morganstanleyinvestmentfunds.com](http://morganstanleyinvestmentfunds.com).

# Short Maturity Euro Corporate Bond Fund

## Investment Objective and Policy

**Objective** To increase the value of your investment, mainly through income.

**Investment policy** The fund invests at least 70% of total net assets in short-maturity corporate bonds issued anywhere in the world, including emerging markets, and denominated in EUR. Some of these investments may be below investment grade (high yield bonds).

Specifically, these investments are in corporate bonds that have a maturity (or remaining maturity or call dates) of maximum 3 years and are rated at least B-/B3 or, in the case of securitised instruments, BBB-/Baa3. If these securities are downgraded below B-/B3 or, in the case of securitised instruments, below BBB-/Baa3, the fund may hold such securities up to 3% of total net assets but will divest any of them that has not been upgraded to the required credit rating within six months. For more information on credit policies, see page 175. Securitised instruments may include asset- and mortgage-backed securities (ABSs/MBSS).

The fund may invest up to 30% of total net assets in bonds not meeting the criteria of the fund's primary investments, such as bonds not denominated in EUR, and other types of securities.

The fund may invest in, or be exposed to, the following, up to the percentage of total net assets indicated:

- contingent convertible (coco) bonds: 20%
- securitised instruments, such as asset- or mortgage-backed securities (ABSs/MBSS): 20%
- Chinese bonds (through the China Interbank Bond Market): 10%

Non-base currency exposure may be partially or fully hedged to the base currency of the fund.

See also "Permitted assets, techniques and transactions" on page 177.

**Derivatives and techniques** The fund may use derivatives for reducing risks (hedging) and costs, and for investment purposes.

The fund intends to use core derivatives only (see "How the Funds Use Instruments and Techniques").

*TRS usage* None.

*Securities lending* 3% of total net assets expected, 33% maximum.

**Strategy** In actively managing the fund, the investment manager combines macroeconomic, market and fundamental analysis to identify securities that appear to offer the best return for their risk level (top-down and bottom-up approach). The fund is not benchmark-constrained and its performance may deviate significantly from that of the benchmark.

**Sustainability approach** The investment manager applies proprietary assessment and scoring methodologies that are bespoke to fixed income securities the fund may invest in, focused on corporate, and securitised issuance. Additionally, as part of the investment manager's bottom-up, fundamental research process, and in its engagements with issuers, the investment manager 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 and climate risk, circular economy and waste reduction, diverse and inclusive business and decent work and resilient jobs. The investment manager will monitor core sustainability indicators, including environmental, social and governance 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 manager also deploys a proprietary assessment framework for sustainable bonds, through which the robustness, impact and transparency of such instruments are evaluated.

The fund promotes the low carbon transition through excluding corporate issuers for which thermal coal production is a core business, and promotes human health and wellbeing through exclusion of 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
- manufacturing or production of tobacco
- mining and extraction of thermal coal, where the company derives 5% or more revenue from such business activity

The exception to the above coal exclusion is that the fund may invest in labelled Green and Sustainability bonds, which are issued to raise capital specifically for climate-related projects, 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 manager. 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.

The investment manager may also 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.

The investment manager may decide to implement additional restrictions to the fund, and such new restrictions will be disclosed in the fund's [SFDR website disclosure](#).

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 manager, taking into account the best interests of the shareholders of the fund. The investment manager 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 manager using internal methodologies or reasonable estimates. The methodologies used by different data providers may also vary and may result in different scores.

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

*SFDR product category* Article 8.

For more information on sustainability, see the fund's sustainability annex and the "Sustainable Investing" section on page 175.

**Benchmark(s)** See the Key Information Document for information on the benchmark that is used for performance comparison. See page 175 for usage definitions.

**Fund base currency** EUR.

*Continues on next page.*

## Main Risks

The risks below are divided according to how frequent (but not necessarily how significant) their effect may be on the fund. These are only the main risks, not a comprehensive listing. See "Risk Descriptions" on page 167 for more information.

### Risks typically associated with ordinary conditions

- ABS/MBS
- Coco bonds
- Country risk — China
- Credit incl. below investment grade
- Currency
- Derivatives
- Emerging Markets
- ESG/sustainability
- Eurozone
- Hedging
- Interest rate
- Investment fund
- Leverage
- Management
- Market
- Prepayment and extension

### Risks typically associated with unusual conditions or unpredictable events

- Circumstantial liquidity
- Counterparty and collateral, incl. securities techniques
- Default
- Operational and cyber
- Standard practices
- Tax change

**Risk monitoring approach** Relative VaR, with the Bloomberg Euro Aggregate Corporate 1-3 Year Index used as a reference portfolio. Expected gross leverage: 110% (not guaranteed; may be higher or lower).

## Planning your Investment

**Investor profile** Investors who understand the risks of the fund and plan to invest for the short term.

The fund may appeal to investors who:

- are looking for an investment with low volatility and an investment with comparatively high environmental or social characteristics

- seek income whether in the form of capital appreciation or distributions
- are interested in exposure to short-term bond markets, either for a core investment or for diversification
- accept the risks associated with this type of investment

**Processing requests** Requests to buy, exchange and sell shares that are received and accepted by the transfer agent by 1:00 PM CET on any dealing day are ordinarily processed the same day, at a NAV calculated using market values from that day.

Settlement occurs within 3 business days after a request has been accepted.

### Fees (%)

Main share class	Max. one-time fees		Annual fees		
	Entry	CDSC	Management	Adminis-tration	Distribution
A	4.00	—	0.45	0.19	—
B	—	4.00 <sup>1</sup>	0.45	0.19	1.00
C	3.00	1.00 <sup>2</sup>	0.55	0.19	—
F	—	—	0.17	0.19	—
I	3.00	—	0.17	0.14	—
J	—	—	0.09	0.14	—
S	—	—	0.17	0.10	—
Z	1.00	—	0.17	0.10	—

<sup>1</sup> Contingent deferred sales charge applies to shares sold within 4 years of purchase and decreases yearly by 1%. After 4 years these shares automatically convert into class A shares.

<sup>2</sup> Contingent deferred sales charge applies to shares sold within 1 year of purchase.

Hedged share classes also pay a hedging fee of maximum 0.03%. For more about fees and expenses, see "Fund Fees and Costs" on page 200. For a current and complete list of available share classes, go to [morganstanleyinvestmentfunds.com](http://morganstanleyinvestmentfunds.com).

# Sustainable Euro Corporate Bond Fund

## Investment Objective and Policy

**Objective** To increase the value of your investment through a combination of income and growth of capital (total return).

**Investment policy** The fund invests at least 70% of total net assets in corporate bonds issued anywhere in the world, including emerging markets, and denominated in EUR. Some of these investments may be below investment grade (high yield bonds).

Specifically, these investments are in corporate bonds rated at least B-/B3 or, in the case of securitised instruments, BBB-/Baa3. If these securities are downgraded below B-/B3 or, in the case of securitised instruments, below BBB-/Baa3, the fund may hold such securities up to 3% of total net assets but will divest any of them that has not been upgraded to the required credit rating within six months. For more information on credit policies, see page 175. Securitised instruments may include asset- and mortgage-backed securities (ABSs/MBSs).

The fund may invest up to 30% of total net assets in bonds not meeting the criteria of the fund's primary investments, such as bonds not denominated in EUR, and other types of securities.

The fund may invest in, or be exposed to, the following, up to the percentage of total net assets indicated:

- contingent convertible (coco) bonds: 20%
- securitised instruments, such as asset- or mortgage-backed securities (ABSs/MBSs), rated at least BBB-/Baa3: 20%
- Chinese bonds (through the China Interbank Bond Market): 10%

Non-base currency exposure may be partially or fully hedged to the base currency of the fund.

See also "Permitted assets, techniques and transactions" on page 177.

**Derivatives and techniques** The fund may use derivatives for reducing risks (hedging) and costs, and for investment purposes.

In addition to core derivatives (see "How the Funds Use Instruments and Techniques"), the fund may use total return swaps (TRSs) and contracts for difference (CFDs).

*TRS usage* None.

*Securities lending* 6% of total net assets expected, 33% maximum.

**Strategy** In actively managing the fund, the investment manager combines macroeconomic, market and fundamental analysis to select securities that meet the fund's sustainability criteria and offer the best return for their risk level (top-down and bottom-up approach). The fund is not benchmark-constrained and its performance may deviate significantly from that of the benchmark.

**Sustainability approach** In relation to this fund, "Sustainable" means that the investment manager 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 manager 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 fund takes into account the long-term global warming objectives of the Paris Agreement.

The investment manager applies proprietary assessment and scoring methodologies that are bespoke to fixed income securities the fund may invest in, focused on corporate, sovereign and securitised issuance. Additionally, as part of the investment manager's bottom-up, fundamental research process, and in its engagements with issuers, the investment manager 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 and climate risk, circular economy

and waste reduction, diverse and inclusive business, and decent work and resilient jobs. The investment manager will monitor core sustainability indicators, including ESG assessments from third party providers, and carbon footprint (measured by carbon intensity, defined as tonnes of CO2 equivalent 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 on an annual basis.

The fund will not invest in corporate issuers which:

- derive any revenue from any of the following activities:
  - thermal coal mining and extraction
  - controversial weapons manufacturing or retail (anti-personnel landmines, cluster munitions, biological or chemical weapons, and nuclear weapons)
  - civilian firearms manufacturing or retail
  - tobacco manufacturing
- derive more than 5% revenue from any of the following activities:
  - oil sands extraction
  - Arctic oil and gas production
- derive more than 10% revenue from the following activities:
  - coal-fired power generation
  - gambling
  - tobacco retail and distribution
  - adult entertainment
- violate any of the following norm-based exclusions:
  - are deemed to have violated the UN Global Compact;
  - are deemed to have violated the UN Guiding Principles on Business and Human Rights;
  - are deemed to have violated the ILO Fundamental Principles
  - have experienced very severe ESG-related controversies, including in relation to violations of the OECD Guidelines for Multinational Enterprises

As an exception to the above, the fund may invest in labelled Green and Sustainability bonds that are issued to raise capital specifically for climate-related projects, 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 manager.

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

The investment manager may decide to implement additional restrictions to the fund, and such new restrictions will be disclosed in the fund's [SFDR website disclosure](#).

The fund will only invest in the top 80% of rated ESG-scoring corporates in each sub-sector of the benchmark. The ESG scores are determined by the investment manager, using third party ESG data as a base having regard to ESG themes including, but not limited to, climate change mitigation, responsible use of natural resources, sustainable waste management, inclusive human capital management, and gender equality. The aforementioned ESG criteria should result in at least 20% reduction of the investible universe of corporates, and the investment manager 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 SICAV's [website](#).

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 manager, taking into account the best interests of the shareholders of the fund.

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For the proportion of investments in corporate bonds, the fund maintains a carbon footprint that is lower than that of the corporate bond component of the 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 CO<sub>2</sub> equivalent per \$1million revenue. Green and Sustainability Bonds (as below) with climate-related objectives may be determined to have different carbon footprints than the issuers of the bonds. In such cases, the investment manager shall disclose its methodology for determining the relevant carbon footprint of such instruments.

As part of its strategy, the investment manager may invest a proportion of the fund in Green and Sustainability Bonds, as labelled in the securities' documentation, where the issuer commits to allocate the proceeds to projects making a positive environmental or social contribution. This includes, but is not limited to bonds that align with the International Capital Market Association (ICMA)'s Green Bond Principles, Social Bond Principles, and Sustainability Bond Guidelines.

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

The investment manager 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 manager using internal methodologies or reasonable estimates. The methodologies used by different data providers may also vary and may result in different scores.

*SFDR product category* Article 8.

For more information on sustainability, see the fund's sustainability annex and the "Sustainable Investing" section on page 175.

**Benchmark(s)** Bloomberg European Corporate Index, used for sustainability indicator comparison (corporate bond component only) and portfolio design indication. See the Key Information Document for information on the benchmark that is used for performance comparison. See page 175 for usage definitions.

**Fund base currency** EUR.

## Main Risks

The risks below are divided according to how frequent (but not necessarily how significant) their effect may be on the fund. These are only the main risks, not a comprehensive listing. See "Risk Descriptions" on page 167 for more information.

### Risks typically associated with ordinary conditions

- ABS/MBS
- Coco bonds
- Country risk — China
- Credit incl. below investment grade
- Currency
- Derivatives
- Emerging markets
- ESG/sustainability
- Eurozone
- Hedging

- Interest rate
- Investment fund
- Leverage
- Management
- Market
- Prepayment and extension

### Risks typically associated with unusual conditions or unpredictable events

- Circumstantial liquidity
- Counterparty and collateral, incl. securities techniques
- Default
- Operational and cyber
- Standard practices
- Tax change

**Risk monitoring approach** Relative VaR, with the Bloomberg Euro-Aggregate Corporates Index used as a reference portfolio. Expected gross leverage: 100% (not guaranteed; may be higher or lower).

## Planning your Investment

**Investor profile** Investors who understand the risks of the fund and plan to invest for the medium term.

The fund may appeal to investors who:

- are looking for a combination of income and investment growth
- seek income whether in the form of capital appreciation or distributions
- are interested in exposure to corporate bond markets globally, either for a core investment or for diversification
- accept the risks associated with this type of investment

**Processing requests** Requests to buy, exchange and sell shares that are received and accepted by the transfer agent by 1:00 PM CET on any dealing day are ordinarily processed the same day, at a NAV calculated using market values from that day.

Settlement occurs within 3 business days after a request has been accepted.

### Fees (%)

Main share class	Max. one-time fees		Annual fees		
	Entry	CDSC	Management	Adminis-tration	Distribution
A	4.00	—	1.15	0.19	—
B	—	4.00 <sup>1</sup>	1.15	0.19	1.00
C	3.00	1.00 <sup>2</sup>	1.50	0.19	—
F	—	—	0.45	0.19	—
I	3.00	—	0.45	0.14	—
J	—	—	0.20	0.14	—
S	—	—	0.45	0.10	—
Z	1.00	—	0.45	0.10	—

<sup>1</sup> Contingent deferred sales charge applies to shares sold within 4 years of purchase and decreases yearly by 1%. After 4 years these shares automatically convert into class A shares.

<sup>2</sup> Contingent deferred sales charge applies to shares sold within 1 year of purchase.

Hedged share classes also pay a hedging fee of maximum 0.03%. For more about fees and expenses, see "Fund Fees and Costs" on page 200. For a current and complete list of available share classes, go to [morganstanleyinvestmentfunds.com](https://morganstanleyinvestmentfunds.com).

# Sustainable Euro Strategic Bond Fund

## Investment Objective and Policy

**Objective** To increase the value of your investment through a combination of income and growth of capital (total return).

**Investment policy** The fund invests at least 70% of total net assets in government and corporate bonds issued anywhere in the world, including emerging markets, and denominated in EUR. Some of these investments may be below investment grade (high yield bonds).

Specifically, these investments are in bonds of any credit quality and may include securitised instruments, such as asset- or mortgage-backed securities (ABSs/MBSs).

The fund may invest up to 30% of total net assets in bonds not meeting the criteria of the fund's primary investments, such as bonds not denominated in EUR, and other types of securities.

The fund may invest in, or be exposed to, the following, up to the percentage of total net assets indicated:

- asset-backed securities (ABSs): 20%
- contingent convertible (coco) bonds: 20%
- Chinese bonds (through the China Interbank Bond Market): 10%

Non-base currency exposure may be partially or fully hedged to the base currency of the fund.

See also "Permitted assets, techniques and transactions" on page 177.

**Derivatives and techniques** The fund may use derivatives for reducing risks (hedging) and costs, and for investment purposes.

In addition to core derivatives (see "How the Funds Use Instruments and Techniques"), the fund may use total return swaps (TRSs) and contracts for difference (CFDs).

**TRS usage** None.

**Securities lending** 5% of total net assets expected, 33% maximum.

**Strategy** In actively managing the fund, the investment manager combines macroeconomic, market and fundamental analysis to select securities that meet the fund's sustainability criteria and offer the best return for their risk level (top-down and bottom-up approach). The fund is not benchmark-constrained and its performance may deviate significantly from that of the benchmark.

**Sustainability approach** In relation to this fund, "Sustainable" means that the investment manager, 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 manager 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 fund takes into account the long-term global warming objectives of the Paris Agreement.

The investment manager applies proprietary assessment and scoring methodologies that are bespoke to fixed income securities the fund may invest in, focused on corporate, sovereign and securitised issuance. Additionally, as part of the investment manager's bottom-up, fundamental research process, and in its engagements with issuers, the investment manager 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 and climate risk, circular economy and waste reduction, diverse and inclusive business and, decent work and resilient jobs. The investment manager 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 CO<sub>2</sub> equivalent 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 on an annual basis.

The fund will not invest in corporate issuers which:

- derive any revenue from any of the following activities:
  - thermal coal mining and extraction
  - controversial weapons manufacturing or retail (anti-personnel landmines, cluster munitions, biological or chemical weapons, and nuclear weapons)
  - civilian firearms manufacturing or retail
  - tobacco manufacturing
- derive more than 5% revenue from any of the following activities:
  - oil sands extraction
  - Arctic oil and gas production
- derive more than 10% revenue from the following activities:
  - coal-fired power generation
  - gambling
  - tobacco retail and distribution
  - adult entertainment
- violate any of the following norm-based exclusions:
  - are deemed to have violated the UN Global Compact;
  - are deemed to have violated the UN Guiding Principles on Business and Human Rights;
  - are deemed to have violated the ILO Fundamental Principles
  - have experienced very severe ESG-related controversies, including in relation to violations of the OECD Guidelines for Multinational Enterprises

As an exception to the above, the fund may invest in labelled Green and Sustainability bonds, which are issued to raise capital specifically for climate-related projects, so long as the investment manager 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 manager.

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

The investment manager may decide to implement additional restrictions to the fund, and such new restrictions will be disclosed in the fund's [SFDR website disclosure](#).

For its investments in fixed income securities issued by corporations, the fund will only invest in the top 80% of rated ESG-scoring corporates in each sub-sector of the Bloomberg Euro Aggregate Index. The ESG scores are determined by the investment manager, using third party ESG data as a base having regard to ESG themes including, but not limited to, climate change mitigation, responsible use of natural resources, sustainable waste management, inclusive human capital management, and gender equality. For the fund's investments in fixed income securities issued by sovereigns, the fund will only invest in sovereigns within the top 80% of ESG scoring sovereigns that we have evaluated, unless the investment manager perceives that a sovereign in the bottom 20% is demonstrating positive sustainability momentum, and/or issues a labelled Green, Social or Sustainability Bond (see below). The fund will not invest in bonds from sovereigns which we have not scored. The aforementioned ESG criteria should result in at least 20% reduction of the investible universe of corporates and sovereigns, and the investment manager 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 methodology is available on the [SICAV's website](#).

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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 manager taking into account the best interests of the shareholders of the fund.

For the proportion of the fund invested in bonds issued by corporates, the fund will maintain a lower carbon footprint than the corporate bond component of the Bloomberg Euro Aggregate Index, 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 equivalent per \$1million revenue. Green and Sustainability Bonds (as below) with climate-related objectives may be determined to have different carbon footprints than the issuers of the bonds. In such cases, the investment manager shall disclose its methodology for determining the relevant carbon footprint of such instruments.

As part of its strategy, the investment manager may invest a proportion of the fund in Sustainable Bonds, defined as labelled Green, Social, or Sustainability Bond as labelled in the securities' documentation, Bonds where the issuer commits to allocate the proceeds to projects making a positive environmental or social contribution. This includes, but is not limited to bonds that align with the International Capital Market Association (ICMA)'s Green Bond Principles, Social Bond Principles, and Sustainability Bond Guidelines.

The investment manager deploys a proprietary assessment framework for the above-mentioned labelled bonds, through which the robustness, impact and transparency of such instruments are evaluated.

The investment manager 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 manager using internal methodologies or reasonable estimates. The methodologies used by different data providers may also vary and may result in different scores.

SFDR product category Article 8.

For more information on sustainability, see the fund's sustainability annex and the "Sustainable Investing" section on page 175.

**Benchmark(s)** Bloomberg Euro Aggregate Index, used for portfolio design indication. **Bloomberg Euro Aggregate Index (corporate bond component only)**, used for sustainability indicator comparison. See the Key Information Document for information on the benchmark that is used for performance comparison. See page 175 for usage definitions.

**Fund base currency** EUR.

## Main Risks

The risks below are divided according to how frequent (but not necessarily how significant) their effect may be on the fund. These are only the main risks, not a comprehensive listing. See "Risk Descriptions" on page 167 for more information.

### Risks typically associated with ordinary conditions

- ABS/MBS
- Coco bonds

- Country risk — China
- Credit incl. below investment grade
- Currency
- Derivatives
- Emerging markets
- ESG/sustainability
- Eurozone
- Hedging
- Interest rate
- Investment fund
- Leverage
- Management
- Market
- Prepayment and extension

### Risks typically associated with unusual conditions or unpredictable events

- Circumstantial liquidity
- Counterparty and collateral, incl. securities techniques
- Default
- Operational and cyber
- Standard practices
- Tax change

**Risk monitoring approach** Relative VaR, with the Bloomberg Euro Aggregate Index used as a reference portfolio. Expected gross leverage: 130% (not guaranteed; may be higher or lower).

## Planning your Investment

**Investor profile** Investors who understand the risks of the fund and plan to invest for the medium term.

The fund may appeal to investors who:

- are looking for a combination of income and investment growth
- seek income whether in the form of capital appreciation or distributions
- are interested in exposure to bond markets globally, either for a core investment or for diversification
- accept the risks associated with this type of investment

**Processing requests** Requests to buy, exchange and sell shares that are received and accepted by the transfer agent by 1:00 PM CET on any dealing day are ordinarily processed the same day, at a NAV calculated using market values from that day.

Settlement occurs within 3 business days after a request has been accepted.

### Fees (%)

Main share class	Max. one-time fees		Annual fees		
	Entry	CDSC	Management	Adminis-tration	Distribution
A	4.00	—	1.15	0.19	—
B	—	4.00 <sup>1</sup>	1.15	0.19	1.00
C	3.00	1.00 <sup>2</sup>	1.50	0.19	—
F	—	—	0.45	0.19	—
I	3.00	—	0.45	0.14	—
J	—	—	0.20	0.14	—
S	—	—	0.45	0.10	—
Z	1.00	—	0.45	0.10	—

<sup>1</sup>Contingent deferred sales charge applies to shares sold within 4 years of purchase and decreases yearly by 1%. After 4 years these shares automatically convert into class A shares.

<sup>2</sup>Contingent deferred sales charge applies to shares sold within 1 year of purchase.

Hedged share classes also pay a hedging fee of maximum 0.03%. For more about fees and expenses, see "Fund Fees and Costs" on page 200. For a current and complete list of available share classes, go to [morganstanleyinvestmentfunds.com](https://www.morganstanleyinvestmentfunds.com).



# US Dollar Corporate Bond Fund

## Investment Objective and Policy

**Objective** To increase the value of your investment through a combination of income and growth of capital (total return).

**Investment policy** The fund invests at least 70% of total net assets in corporate bonds denominated in USD. Some of these investments may be below investment grade (high yield bonds).

Specifically, these investments are in bonds rated at least B-/B3 or, in the case of securitised instruments, BBB-/Baa3. If these securities are downgraded below B-/B3 or, in the case of securitised instruments, below BBB-/Baa3, the fund may hold such securities up to 3% of total net assets but will divest any of them that has not been upgraded to the required credit rating within six months. For more information on credit policies, see page 175.

The fund may invest up to 30% of total net assets in bonds not meeting the criteria of the fund's primary investments, such as US government bonds and bonds not denominated in USD, and other types of securities.

The fund may invest in, or be exposed to, the following, up to the percentage of total net assets indicated:

- securitised instruments, such as asset- or mortgage-backed securities (ABSs/MBSs), rated at least BBB-/Baa3: 20%

Non-base currency exposure may be partially or fully hedged to the base currency of the fund.

See also "Permitted assets, techniques and transactions" on page 177.

**Derivatives and techniques** The fund may use derivatives for reducing risks (hedging) and costs, and for investment purposes.

In addition to core derivatives (see "How the Funds Use Instruments and Techniques"), the fund may use total return swaps (TRSs).

*TRS usage* 0% of total net assets expected, 25% maximum.

*Securities lending* None.

**Strategy** In actively managing the fund, the investment manager combines macroeconomic, market and fundamental analysis to identify securities that to identify relative value opportunities and securities that appear to offer the best return for their risk level (top-down and bottom-up approach). The fund is not benchmark-constrained and its performance may deviate significantly from that of the benchmark.

**Sustainability approach** The investment manager applies proprietary assessment and scoring methodologies that are bespoke to fixed income securities the fund may invest in, focused on corporate, sovereign and securitised issuance. Additionally, as part of the investment manager's bottom-up, fundamental research process, and in its engagements with issuers, the investment manager 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 and climate risk, circular economy and waste reduction, diverse and inclusive business, and decent work and resilient jobs. The investment manager will monitor core sustainability indicators, including ESG assessments from third party providers, and carbon footprint (measured by carbon intensity, defined as tonnes of CO2 equivalent 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 manager also deploys a proprietary assessment framework for labelled sustainable bonds, through which the robustness, impact and transparency of such instruments are evaluated.

The investment manager 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
- manufacturing or production of tobacco
- mining and extraction of thermal coal, where the company derives 5% or more revenue from such business activity

As an exception to the above coal restriction, the fund may invest in labelled Green and Sustainability Bonds, which are issued to raise capital specifically for climate-related projects, 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 manager. 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.

The investment manager may also 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.

The investment manager may decide to implement additional restrictions to the fund, and such new restrictions will be disclosed in the fund's [SFDR Website Disclosure](#).

In addition to the above sectoral exclusions, the investment manager monitors business practices on an ongoing basis, through data on ESG controversies and standards screening that the investment manager sources from third party providers. The investment manager 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.

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 manager, taking into account the best interests of the shareholders of the fund.

The investment manager 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 manager using internal methodologies or reasonable estimates. The methodologies used by different data providers may also vary and may result in different scores.

*SFDR product category* Article 8.

For more information on sustainability, see the fund's sustainability annex and the "Sustainable Investing" section on page 175.

**Benchmark(s)** See the Key Information Document for information on the benchmark that is used for performance comparison. See page 175 for usage definitions.

**Fund base currency** USD.

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## Main Risks

The risks below are divided according to how frequent (but not necessarily how significant) their effect may be on the fund. These are only the main risks, not a comprehensive listing. See "Risk Descriptions" on page 167 for more information.

### Risks typically associated with ordinary conditions

- ABS/MBS
- Credit incl. below investment grade
- Derivatives
- ESG/sustainability
- Hedging
- Interest rate
- Investment fund
- Leverage
- Management
- Market
- Prepayment and extension

### Risks typically associated with unusual conditions or unpredictable events

- Circumstantial liquidity
- Counterparty and collateral
- Default
- Operational and cyber
- Standard practices
- Tax change

**Risk monitoring approach** Relative VaR, with the Bloomberg US Corporate Index used as a reference portfolio. Expected gross leverage: 110% (not guaranteed; may be higher or lower).

## Planning your Investment

**Investor profile** Investors who understand the risks of the fund and plan to invest for the medium term.

The fund may appeal to investors who:

- are looking for a combination of income and investment growth
- seek income whether in the form of capital appreciation or distributions

- are interested in exposure to corporate bond markets globally, either for a core investment or for diversification
- accept the risks associated with this type of investment

**Processing requests** Requests to buy, exchange and sell shares that are received and accepted by the transfer agent by 1:00 PM CET on any dealing day are ordinarily processed the same day, at a NAV calculated using market values from that day.

Settlement occurs within 3 business days after a request has been accepted.

### Fees (%)

Main share class	Max. one-time fees		Annual fees		
	Entry	CDSC	Management	Admin- tration	Distribution
A	4.00	—	0.80	0.19	—
B	—	4.00 <sup>1</sup>	0.80	0.19	1.00
C	3.00	1.00 <sup>2</sup>	1.35	0.19	—
F	—	—	0.35	0.19	—
I	3.00	—	0.35	0.14	—
J	—	—	0.20	0.14	—
S	—	—	0.35	0.10	—
Z	1.00	—	0.35	0.10	—

<sup>1</sup> Contingent deferred sales charge applies to shares sold within 4 years of purchase and decreases yearly by 1%. After 4 years these shares automatically convert into class A shares.

<sup>2</sup> Contingent deferred sales charge applies to shares sold within 1 year of purchase.

Hedged share classes also pay a hedging fee of maximum 0.03%. For more about fees and expenses, see "Fund Fees and Costs" on page 200. For a current and complete list of available share classes, go to [morganstanleyinvestmentfunds.com](http://morganstanleyinvestmentfunds.com).

# US Dollar Short Duration Bond Fund

## Investment Objective and Policy

**Objective** To increase the value of your investment through a combination of income and growth of capital (total return).

**Investment policy** The fund invests at least 70% of total net assets in a range of investment grade fixed income securities, such as government and corporate bonds, issued in developed markets and denominated in USD. The fund also maintains a short duration at portfolio level (meaning the fund has a comparatively lower sensitivity to interest rate changes).

Specifically, these investments are in bonds rated at least BBB-/Baa3 and may include, among other fixed income securities, securitised instruments, such as asset- or mortgage-backed securities (ABSs/MBSs).

The fund may invest up to 30% of total net assets in bonds not meeting the criteria of the fund's primary investments, such as bonds not denominated in USD, and other types of securities.

The fund targets a weighted average duration of less than 1 year (it may be higher depending on market conditions).

Non-base currency exposure may be partially or fully hedged to the base currency of the fund.

See also "Permitted assets, techniques and transactions" on page 177.

**Derivatives and techniques** The fund may use derivatives for reducing risks (hedging) and costs, and for investment purposes.

In addition to core derivatives (see "How the Funds Use Instruments and Techniques"), the fund may use total return swaps (TRSs).

*TRS usage* 0% of total net assets expected, 25% maximum.  
*Securities lending* None.

**Strategy** In actively managing the fund, the investment manager uses macroeconomic analysis to determine bond sector exposure. It then combines fundamental and quantitative market analysis to identify securities that appear to offer the best return for their risk level (top-down and bottom-up approach). The fund is not benchmark-constrained and its performance may deviate significantly from that of the benchmark.

**Sustainability approach** The investment manager applies proprietary assessment and scoring methodologies that are bespoke to fixed income securities the fund may invest in, focused on corporate, sovereign and securitised issuance. Additionally, as part of the investment manager's bottom-up, fundamental research process, and in its engagements with issuers, the investment manager 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 and climate risk, circular economy and waste reduction, diverse and inclusive business, and decent work and resilient jobs. The investment manager also deploys a proprietary assessment framework for labelled 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
- manufacturing or production of tobacco

With respect to fossil fuel activities specifically, the investment manager 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 more than 5% revenue from such business activity.

As an exception to the above, the fund may invest in labelled Green and Sustainability Bonds, which are issued to raise capital specifically for climate-related projects, 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 manager.

In addition to the above sectoral exclusions, the investment manager monitors business practices on an ongoing basis, through data on ESG controversies and standards screening that the investment manager sources from third party providers. The investment manager 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.

The investment manager may decide to implement additional restrictions to the fund, and such new restrictions will be disclosed in the fund's [SFDR website disclosure](#).

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 manager, taking into account the best interests of the shareholders of the fund. The investment manager 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 manager using internal methodologies or reasonable estimates. The methodologies used by different data providers may also vary and may result in different scores.

*SFDR product category* Article 8.

For more information on sustainability, see the fund's sustainability annex and the "Sustainable Investing" section on page 175.

**Benchmark(s)** See the Key Information Document for information on the benchmark that is used for performance comparison. See page 175 for usage definitions.

**Fund base currency** USD.

## Main Risks

The risks below are divided according to how frequent (but not necessarily how significant) their effect may be on the fund. These are only the main risks, not a comprehensive listing. See "Risk Descriptions" on page 167 for more information.

### Risks typically associated with ordinary conditions

- ABS/MBS
- Credit
- Derivatives
- ESG/sustainability
- Hedging
- Interest rate
- Investment fund
- Management
- Market
- Prepayment and extension

### Risks typically associated with unusual conditions or unpredictable events

- Circumstantial liquidity
- Counterparty and collateral
- Default
- Operational and cyber
- Standard practices
- Tax change

**Risk monitoring approach** Commitment.

*Continues on next page.*

## Planning your Investment

**Investor profile** Investors who understand the risks of the fund and plan to invest for the short term.

The fund may appeal to investors who:

- are looking for a combination of income and investment growth
- seek income whether in the form of capital appreciation or distributions
- are interested in exposure to developed bond markets globally, either for a core investment or for diversification
- accept the risks associated with this type of investment

**Processing requests** Requests to buy, exchange and sell shares that are received and accepted by the transfer agent by 1:00 PM CET on any dealing day are ordinarily processed the same day, at a NAV calculated using market values from that day.

Settlement occurs within 3 business days after a request has been accepted.

### Fees (%)

Main share class	Max. one-time fees		Annual fees		
	Entry	CDSC	Management	Adminis-tration	Distribution
A	4.00	—	0.50	0.19	—
B	—	4.00 <sup>1</sup>	0.50	0.19	1.00
C	3.00	1.00 <sup>2</sup>	0.70	0.19	—
F	—	—	0.20	0.19	—
I	3.00	—	0.20	0.14	—
J	—	—	—	0.14	—
S	—	—	0.20	0.10	—
Z	1.00	—	0.20	0.10	—

<sup>1</sup> Contingent deferred sales charge applies to shares sold within 4 years of purchase and decreases yearly by 1%. After 4 years these shares automatically convert into class A shares.

<sup>2</sup> Contingent deferred sales charge applies to shares sold within 1 year of purchase.

Hedged share classes also pay a hedging fee of maximum 0.03%. For more about fees and expenses, see "Fund Fees and Costs" on page 200. For a current and complete list of available share classes, go to [morganstanleyinvestmentfunds.com](http://morganstanleyinvestmentfunds.com).

# US Dollar Short Duration High Yield Bond Fund

## Investment Objective and Policy

**Objective** To increase the value of your investment through a combination of income and growth of capital (total return).

**Investment policy** The fund invests at least 70% of total net assets in a range of below investment grade (high yield) fixed income securities, such as government and corporate bonds, issued anywhere in the world, including emerging markets, and denominated in USD. The fund also maintains a short duration at portfolio level (meaning the fund has a comparatively lower sensitivity to interest rate changes).

Specifically, these investments are in bonds rated lower than BBB-/Baa3 or unrated and may include, among other fixed income securities, securitised instruments, such as asset-backed securities (ABSs) and loan assignments and participations.

The fund may invest up to 30% of total net assets in bonds not meeting the criteria of the fund's primary investments, such as investment grade bonds and bonds not denominated in USD, and other types of securities.

The fund may invest in, or be exposed to, the following, up to the percentage of total net assets indicated:

- contingent convertible (coco) bonds: 20%

The fund targets a weighted average duration of less than 3 years (it may be higher depending on market conditions).

Non-base currency exposure may be partially or fully hedged to the base currency of the fund.

See also "Permitted assets, techniques and transactions" on page 177.

**Derivatives and techniques** The fund may use derivatives for reducing risks (hedging) and costs, and for investment purposes.

In addition to core derivatives (see "How the Funds Use Instruments and Techniques"), the fund may use total return swaps (TRSs).

*TRS usage* 0% of total net assets expected, 25% maximum.

*Securities lending* None.

**Strategy** In actively managing the fund, the investment manager combines macroeconomic, market and fundamental analysis to identify securities that appear to offer the best return for their risk level (top-down and bottom-up approach). The fund is not benchmark-constrained and its performance may deviate significantly from that of the benchmark.

**Sustainability approach** The investment manager applies proprietary assessment and scoring methodologies that are bespoke to fixed income securities the fund may invest in, focused on corporate, sovereign and securitised issuance. Additionally, as part of the investment manager's bottom-up, fundamental research process, and in its engagements with issuers, the investment manager 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 and climate risk, circular economy and waste reduction, diverse and inclusive business, and decent work and resilient jobs. The investment manager also deploys a proprietary assessment framework for labelled 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
- manufacturing or production of tobacco

With respect to fossil fuel activities specifically, the investment manager 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 more than 5% revenue from such business activity.

As an exception to the above, the fund may invest in labelled Green and Sustainability Bonds, which are issued to raise capital specifically for climate-related projects, 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 manager.

In addition to the above sectoral exclusions, the investment manager monitors business practices on an ongoing basis, through data on ESG controversies and standards screening that the investment manager sources from third party providers. The investment manager 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.

The investment manager may decide to implement additional restrictions to the fund, and such new restrictions will be disclosed in the fund's [SFDR website disclosure](#).

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 manager, taking into account the best interests of the shareholders of the fund.

The investment manager 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 manager using internal methodologies or reasonable estimates. The methodologies used by different data providers may also vary and may result in different scores.

*SFDR product category* Article 8.

For more information on sustainability, see the fund's sustainability annex and the "Sustainable Investing" section on page 175.

**Benchmark(s)** See the Key Information Document for information on the benchmark that is used for performance comparison. See page 175 for usage definitions.

**Fund base currency** USD.

*Continues on next page.*

## Main Risks

The risks below are divided according to how frequent (but not necessarily how significant) their effect may be on the fund. These are only the main risks, not a comprehensive listing. See "Risk Descriptions" on page 167 for more information.

### Risks typically associated with ordinary conditions

- ABS/MBS
- Coco bonds
- Credit incl. below investment grade and unrated
- Currency
- Derivatives
- Emerging markets
- ESG/sustainability
- Hedging
- Interest rate
- Investment fund
- Leverage
- Management
- Market
- Prepayment and extension

### Risks typically associated with unusual conditions or unpredictable events

- Circumstantial liquidity
- Counterparty and collateral
- Default
- Operational and cyber
- Standard practices
- Tax change

**Risk monitoring approach** Relative VaR, with the Bloomberg US High Yield 1-5 Year Cash Pay 2% Issuer Capped Index used as a reference portfolio. Expected gross leverage: 100% (not guaranteed; may be higher or lower).

## Planning your Investment

**Investor profile** Investors who understand the risks of the fund and plan to invest for the medium term.

The fund may appeal to investors who:

- are looking for a combination of income and investment growth

- seek income whether in the form of capital appreciation or distributions
- are interested in exposure to high-yield bond markets globally, either for a core investment or for diversification
- accept the risks associated with this type of investment

**Processing requests** Requests to buy, exchange and sell shares that are received and accepted by the transfer agent by 1:00 PM CET on any dealing day are ordinarily processed the same day, at a NAV calculated using market values from that day.

Settlement occurs within 3 business days after a request has been accepted.

### Fees (%)

Main share class	Max. one-time fees		Annual fees		
	Entry	CDSC	Management	Administration	Distribution
A	4.00	—	1.00	0.19	—
B	—	4.00 <sup>1</sup>	1.00	0.19	1.00
C	3.00	1.00 <sup>2</sup>	1.30	0.19	—
F	—	—	0.40	0.19	—
I	3.00	—	0.40	0.14	—
J	—	—	0.20	0.14	—
S	—	—	0.40	0.10	—
Z	1.00	—	0.40	0.10	—

<sup>1</sup> Contingent deferred sales charge applies to shares sold within 4 years of purchase and decreases yearly by 1%. After 4 years these shares automatically convert into class A shares.

<sup>2</sup> Contingent deferred sales charge applies to shares sold within 1 year of purchase.

Hedged share classes also pay a hedging fee of maximum 0.03%. For more about fees and expenses, see "Fund Fees and Costs" on page 200. For a current and complete list of available share classes, go to [morganstanleyinvestmentfunds.com](http://morganstanleyinvestmentfunds.com).

# US High Yield Bond Fund

## Investment Objective and Policy

**Objective** To increase the value of your investment through a combination of income and growth of capital (total return).

**Investment policy** The fund invests at least 70% of total net assets in a range of below investment grade (high yield) fixed income securities, such as corporate and government bonds, issued in the US and denominated in USD.

Specifically, these investments are in bonds rated lower than BBB-/Baa3 or unrated.

The fund may invest up to 30% of total net assets in bonds not meeting the criteria of the fund's primary investments, such as investment grade US bonds and bonds not denominated in USD, and other types of securities, such as equities and equity-related securities.

The fund may invest in, or be exposed to, the following, up to the percentage of total net assets indicated:

- contingent convertible (coco) bonds: 20%

Non-base currency exposure may be partially or fully hedged to the base currency of the fund.

See also "Permitted assets, techniques and transactions" on page 177.

**Derivatives and techniques** The fund may use derivatives for reducing risks (hedging) and costs, and for investment purposes.

The fund intends to use core derivatives only (see "How the Funds Use Instruments and Techniques").

*TRS usage and securities lending* None.

**Strategy** In actively managing the fund, the investment manager combines macroeconomic, market and fundamental analysis to select securities that meet the fund's sustainability criteria and offer the best return for their risk level (top-down and bottom-up approach). The fund is not benchmark-constrained and its performance may deviate significantly from that of the benchmark.

**Sustainability approach** The fund promotes the environmental characteristic of climate change mitigation by excluding corporate issuers that derive 5% or more revenue from thermal coal mining and extraction, and it promotes the social characteristic of avoiding investments in companies deriving any revenue from certain activities which can cause harm to health and wellbeing, specifically tobacco manufacturing, controversial weapons and civilian firearms manufacturing or retail.

The exception to the above thermal coal exclusion is that the fund may invest in labelled green or sustainability bonds, which are issued to raise capital specifically for climate-related or environmental projects, so long as the investment manager 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 manager.

In addition to the above exclusions, the investment manager monitors business practices on an ongoing basis, through data on ESG controversies and standards screening sourced from third party providers. The investment manager 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.

The investment manager may decide to implement additional restrictions to the fund, and such new restrictions will be disclosed in the fund's [SFDR website disclosure](#).

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 that takes into account the best interests of the shareholders of the fund. The investment manager uses third party data and, in some cases, data on specific issuers, on the sustainability

themes or the exclusions noted above may not be available and/or may be estimated by the investment manager using internal methodologies or reasonable estimates. The methodologies used by different data providers may also vary and may result in different scores.

The investment manager relies on proprietary environmental, social and governance (ESG) research and scoring methodologies, as well as on third party data, to incorporate an assessment of sustainability-related risks and opportunities into the bottom-up, fundamental research process, and in engagement meetings with issuers, to determine any 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 sustainability themes such as decarbonisation and climate action, circular economy and waste reduction, diverse and inclusive business and decent work and resilient jobs.

*SFDR product category* Article 8.

For more information on sustainability, see the fund's sustainability annex and the "Sustainable Investing" section on page 175.

**Benchmark(s)** See the Key Information Document for information on the benchmark that is used for performance comparison. See page 175 for usage definitions.

**Fund base currency** USD.

## Main Risks

The risks below are divided according to how frequent (but not necessarily how significant) their effect may be on the fund. These are only the main risks, not a comprehensive listing. See "Risk Descriptions" on page 167 for more information.

### Risks typically associated with ordinary conditions

- Credit incl. below investment grade and unrated
- Currency
- Derivatives
- ESG/sustainability
- Eurozone
- Hedging
- Interest rate
- Investment fund
- Leverage
- Management
- Market

### Risks typically associated with unusual conditions or unpredictable events

- Circumstantial liquidity
- Counterparty and collateral
- Default
- Operational and cyber
- Standard practices
- Tax change

**Risk monitoring approach** Commitment.

## Planning your Investment

**Investor profile** Investors who understand the risks of the fund and plan to invest for the medium term.

The fund may appeal to investors who:

- are looking for a combination of income and investment growth
- seek income whether in the form of capital appreciation or distributions
- are interested in exposure to high-yield bond markets, either for a core investment or for diversification
- accept the risks associated with this type of investment

**Processing requests** Requests to buy, exchange and sell shares that are received and accepted by the transfer agent by 1:00 PM CET on any dealing day are ordinarily processed the same day, at a NAV calculated using market values from that day.

Settlement occurs within 3 business days after a request has been accepted.

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**Fees (%)**

Main share class	Max. one-time fees		Annual fees		
	Entry	CDSC	Management	Adminis-tration	Distribution
A	4.00	—	1.25	0.19	—
B	—	4.00 <sup>1</sup>	1.25	0.19	1.00
C	3.00	1.00 <sup>2</sup>	1.75	0.19	—
F	—	—	0.60	0.19	—
I	3.00	—	0.60	0.14	—
J	—	—	0.30	0.14	—
S	—	—	0.60	0.10	—
Z	1.00	—	0.60	0.10	—

<sup>1</sup>Contingent deferred sales charge applies to shares sold within 4 years of purchase and decreases yearly by 1%. After 4 years these shares automatically convert into class A shares.

<sup>2</sup>Contingent deferred sales charge applies to shares sold within 1 year of purchase.

Hedged share classes also pay a hedging fee of maximum 0.03%. For more about fees and expenses, see "Fund Fees and Costs" on page 200. For a current and complete list of available share classes, go to [morganstanleyinvestmentfunds.com](http://morganstanleyinvestmentfunds.com).



# US High Yield Middle Market Bond Fund

## Investment Objective and Policy

**Objective** To increase the value of your investment through a combination of income and growth of capital (total return).

**Investment policy** The fund invests at least 70% of total net assets in a range of below investment grade (high yield) fixed income securities, such as corporate and government bonds, issued anywhere in the world, including emerging markets, and denominated in USD.

Specifically, these investments are in bonds rated lower than BBB-/Baa3 or unrated. These investments are corporate and government bonds from issuers with up to USD 1 billion in outstanding debt (middle market issuers), and may include, among other fixed income securities, securitised instruments, such as asset-backed securities (ABSs) and loan assignments and participations.

The fund may invest up to 30% of total net assets in bonds not meeting the criteria of the fund's primary investments, such as bonds not denominated in USD, and other types of securities.

The fund may invest in, or be exposed to, the following, up to the percentage of total net assets indicated:

- contingent convertible (coco) bonds: 20%

Non-base currency exposure may be partially or fully hedged to the base currency of the fund.

See also "Permitted assets, techniques and transactions" on page 177.

**Derivatives and techniques** The fund may use derivatives for reducing risks (hedging) and costs, and for investment purposes.

In addition to core derivatives (see "How the Funds Use Instruments and Techniques"), the fund may use total return swaps (TRSs).

*TRS usage* 0% of total net assets expected, 25% maximum.

*Securities lending* 0% of total net assets expected, 33% maximum.

**Strategy** In actively managing the fund, the investment manager combines macroeconomic, market and fundamental analysis to select securities that meet the fund's sustainability criteria and offer the best return for their risk level (top-down and bottom-up approach). The fund is not benchmark-constrained and its performance may deviate significantly from that of the benchmark.

**Sustainability approach** The investment manager applies proprietary assessment and scoring methodologies that are bespoke to fixed income securities the fund may invest in, focused on corporate, sovereign and securitised issuance. Additionally, as part of the investment manager's bottom-up, fundamental research process, and in its engagements with issuers, the investment manager 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 and climate risk, circular economy and waste reduction, diverse and inclusive business, and decent work and resilient jobs.

The investment manager also deploys a proprietary assessment framework for labelled 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
- manufacturing or production of tobacco

With respect to fossil fuel activities specifically, the investment manager 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 more than 5% revenue from such business activity.

As an exception to the above coal restriction, the fund may invest in labelled Green and Sustainability Bonds that are issued to raise capital specifically for climate-related projects, 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 manager.

In addition to the above sectoral exclusions, the investment manager monitors business practices on an ongoing basis, through data on ESG controversies and standards screening that the investment manager sources from third party providers. The investment manager 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.

The investment manager may decide to implement additional restrictions to the fund, and such new restrictions will be disclosed in the fund's [SFDR website disclosure](#).

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 manager, taking into account the best interests of the shareholders of the fund. The investment manager 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 manager using internal methodologies or reasonable estimates. The methodologies used by different data providers may also vary and may result in different scores.

*SFDR product category* Article 8.

For more information on sustainability, see the fund's sustainability annex and the "Sustainable Investing" section on page 175.

**Benchmark(s)** See the Key Information Document for information on the benchmark that is used for performance comparison. See page 175 for usage definitions.

**Fund base currency** USD.

## Main Risks

The risks below are divided according to how frequent (but not necessarily how significant) their effect may be on the fund. These are only the main risks, not a comprehensive listing. See "Risk Descriptions" on page 167 for more information.

### Risks typically associated with ordinary conditions

- ABS/MBS
- Coco bonds
- Credit incl. below investment grade and unrated
- Currency
- Derivatives
- Emerging markets
- ESG/sustainability
- Hedging
- Interest rate
- Investment fund
- Leverage
- Management
- Market
- Prepayment and extension

### Risks typically associated with unusual conditions or unpredictable events

- Circumstantial liquidity
- Counterparty and collateral, incl. securities techniques
- Default
- Operational and cyber
- Standard practices
- Tax change

**Risk monitoring approach** Relative VaR, with the Bloomberg US Corporate High Yield Index used as a reference portfolio. Expected gross leverage: 100% (not guaranteed; may be higher or lower).

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## Planning your Investment

**Investor profile** Investors who understand the risks of the fund and plan to invest for the medium term.

The fund may appeal to investors who:

- are looking for a combination of income and investment growth
- seek income whether in the form of capital appreciation or distributions
- are interested in exposure to high-yield bond markets globally, either for a core investment or for diversification
- accept the risks associated with this type of investment

**Processing requests** Requests to buy, exchange and sell shares that are received and accepted by the transfer agent by 1:00 PM CET on any dealing day are ordinarily processed the same day, at a NAV calculated using market values from that day.

Settlement occurs within 3 business days after a request has been accepted.

### Fees (%)

Main share class	Max. one-time fees		Annual fees		
	Entry	CDSC	Management	Adminis-tration	Distribution
A	4.00	—	1.25	0.19	—
B	—	4.00 <sup>1</sup>	1.25	0.19	1.00
C	3.00	1.00 <sup>2</sup>	1.70	0.19	—
F	—	—	0.50	0.19	—
I	3.00	—	0.50	0.14	—
J	—	—	0.25	0.14	—
S	—	—	0.50	0.10	—
Z	1.00	—	0.50	0.10	—

<sup>1</sup> Contingent deferred sales charge applies to shares sold within 4 years of purchase and decreases yearly by 1%. After 4 years these shares automatically convert into class A shares.

<sup>2</sup> Contingent deferred sales charge applies to shares sold within 1 year of purchase.

Hedged share classes also pay a hedging fee of maximum 0.03%. For more about fees and expenses, see "Fund Fees and Costs" on page 200. For a current and complete list of available share classes, go to [morganstanleyinvestmentfunds.com](http://morganstanleyinvestmentfunds.com).

# Global Balanced Defensive Fund

## Investment Objective and Policy

**Objective** To increase the value of your investment through a combination of income and growth of capital (total return) with comparatively low volatility.

**Investment policy** The fund invests, directly or indirectly, at least 70% of total net assets in a range of asset classes, such as equities, bonds, real estate, commodities and cash equivalents, anywhere in the world, including emerging markets. Some of the bond investments may be below investment grade (high yield bonds).

Specifically, these investments are in bonds of any credit quality or unrated and equities, and may include eligible closed-end real estate investment trusts (REITs), commodity-linked securities, securitised instruments, such as asset-backed securities (ABSs).

The fund may invest up to 30% of total net assets in securities not meeting the criteria of the fund's primary investments.

The fund may invest in, or be exposed to, the following, up to the percentage of total net assets indicated:

- China A-shares (through Stock Connect): 10%

Non-base currency exposure may be partially or fully hedged to the base currency of the fund.

See also "Permitted assets, techniques and transactions" on page 177.

**Derivatives and techniques** The fund may use derivatives for reducing risks (hedging) and costs, and for investment purposes.

In addition to core derivatives (see "How the Funds Use Instruments and Techniques"), the fund may use total return swaps (TRSs) and credit derivatives.

**TRS usage** 0% of total net assets expected, 50% maximum.

**Securities lending** None.

**Strategy** In actively managing the fund, the investment manager combines macroeconomic and market analysis to make tactical views on asset classes globally and dynamically allocate investments across asset classes and geographic areas (top-down approach). The investment manager also maintains a predefined low portfolio volatility.

**Sustainability approach** The investment manager may consider ESG factors on a bottom-up basis. Where investing directly in transferable securities, the investment manager may consider the relative ranking of issuers for ESG factors as part of assessing the potential for return and as part of managing total portfolio risk.

In making investment decisions, the investment manager does not consider the EU criteria for environmentally sustainable economic activities for the purpose of the Taxonomy Regulation.

**SFDR product category** Article 6.

**Benchmark(s)** None.

**Fund base currency** EUR.

## Main Risks

The risks below are divided according to how frequent (but not necessarily how significant) their effect may be on the fund. These are only the main risks, not a comprehensive listing. See "Risk Descriptions" on page 167 for more information.

### Risks typically associated with ordinary conditions

- ABS/MBS
- Allocation shift
- Commodity
- Country risk — China
- Credit incl. below investment grade and unrated
- Currency
- Depositary receipt
- Derivatives
- Emerging markets
- Equities
- ESG/sustainability
- Eurozone
- Hedging
- Interest rate
- Investment fund
- Leverage
- Management
- Market
- Prepayment and extension
- Real estate investment

### Risks typically associated with unusual conditions or unpredictable events

- Circumstantial liquidity
- Counterparty and collateral
- Default
- Operational and cyber
- Standard practices
- Tax change

**Risk monitoring approach** Absolute VaR. Expected gross leverage: 100% (not guaranteed; may be higher or lower).

## Planning your Investment

**Investor profile** Investors who understand the risks of the fund and plan to invest for the medium term.

The fund may appeal to investors who:

- are looking for a combination of income and investment growth with a comparatively low volatility
- seek income whether in the form of capital appreciation or distributions
- are interested in exposure to a diversified asset mix globally, either for a core investment or for diversification
- accept the risks associated with this type of investment

**Processing requests** Requests to buy, exchange and sell shares that are received and accepted by the transfer agent by 1:00 PM CET on any dealing day are ordinarily processed the same day, at a NAV calculated using market values from that day.

Settlement occurs within 3 business days after a request has been accepted.

### Fees (%)

Main share class	Max. one-time fees		Annual fees		
	Entry	CDSC	Management	Adminis-tration	Distribution
A	5.75	—	1.00	0.19	—
B	—	4.00 <sup>1</sup>	1.00	0.19	1.00
C	3.00	1.00 <sup>2</sup>	1.70	0.19	—
F	—	—	0.40	0.19	—
I	3.00	—	0.40	0.14	—
J	—	—	—	0.14	—
S	—	—	0.40	0.10	—
Z	1.00	—	0.40	0.10	—

<sup>1</sup>Contingent deferred sales charge applies to shares sold within 4 years of purchase and decreases yearly by 1%. After 4 years these shares automatically convert into class A shares.

<sup>2</sup>Contingent deferred sales charge applies to shares sold within 1 year of purchase.

Hedged share classes also pay a hedging fee of maximum 0.03%. For more about fees and expenses, see "Fund Fees and Costs" on page 200. For a current and complete list of available share classes, go to [morganstanleyinvestmentfunds.com](https://morganstanleyinvestmentfunds.com).

# Global Balanced Fund

## Investment Objective and Policy

**Objective** To increase the value of your investment through a combination of income and growth of capital (total return) with comparatively moderate volatility.

**Investment policy** The fund invests, directly or indirectly, at least 70% of total net assets in a range of asset classes, such as equities, bonds, real estate, commodities and cash equivalents, anywhere in the world, including emerging markets. Some of the bond investments may be below investment grade (high yield bonds).

Specifically, these investments are in bonds of any credit quality or unrated and equities, and may include eligible closed-end real estate investment trusts (REITs), commodity-linked securities, securitised instruments, such as asset-backed securities (ABSs).

The fund may invest up to 30% of total net assets in securities not meeting the criteria of the fund's primary investments.

The fund may invest in, or be exposed to, the following, up to the percentage of total net assets indicated:

- China A-shares (through Stock Connect): 10%

Non-base currency exposure may be partially or fully hedged to the base currency of the fund.

See also "Permitted assets, techniques and transactions" on page 177.

**Derivatives and techniques** The fund may use derivatives for reducing risks (hedging) and costs, and for investment purposes.

In addition to core derivatives (see "How the Funds Use Instruments and Techniques"), the fund may use total return swaps (TRSs) and credit derivatives.

*TRS usage* 0% of total net assets expected, 50% maximum.

*Securities lending* None.

**Strategy** In actively managing the fund, the investment manager combines macroeconomic and market analysis within a risk-controlled framework to dynamically allocate investments across asset classes and geographic areas (top-down approach). The investment manager also maintains a predefined moderate portfolio volatility.

**Sustainability approach** Sustainability factors are considered by the investment manager during both the investment and research process to limit exposure to sustainability risks and seek out investment opportunities. These criteria may include, but are not limited to, climate change, carbon emissions, water scarcity, waste management, biodiversity, labour management, gender diversity, health and safety, product safety, data privacy and security, executive remuneration, board independence, shareholder rights, and bribery and corruption.

In relation to this fund, "sustainable" means that the investment manager, in its discretion, integrates ESG considerations in its investment decision-making. The investment manager 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 in order to ensure that the target companies follow good governance practices.

The investment manager shall not knowingly include in the investment universe companies:

- associated with severe ESG controversies
- involved with controversial weapons (including civilian firearms)
- involved in gambling
- associated with tobacco
- that derive revenue from thermal coal and oil sands

The details of the above exclusions can be found in the fund's exclusion policy which is available on the SICAV's [website](#). The exclusions (which comprise, but are not limited to, the above exclusions) are determined by the investment manager'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 direct investments within the fund. The exclusion criteria will not be applied to investments in which the investment manager 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 manager, taking into account the best interests of the shareholders of the fund.

The investment manager integrates ESG data including ratings and scores from third parties when constructing security baskets to implement asset class views, subject to a tracking error and other constraints. The investment manager 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 manager using internal methodologies or reasonable estimates. The methodologies used by different data providers may also vary and may result in different scores.

The investment manager tilts the portfolio of the fund towards high ESG performing equities, and aims to improve the aggregated fund ESG performance versus that of the underlying equity index. In addition to ESG factors, the investment manager treats climate change as a separate consideration, and also applies an additional climate change score during the tilting process.

The investment manager creates – for all 11 GICS sectors within each regional equity market – individual baskets that tilt towards the top quartile ESG and low-carbon transition leaders.

*SFDR product category* Article 8.

For more information on sustainability, see the fund's sustainability annex and the "Sustainable Investing" section on page 175.

**Benchmark(s)** None.

**Fund base currency** EUR.

## Main Risks

The risks below are divided according to how frequent (but not necessarily how significant) their effect may be on the fund. These are only the main risks, not a comprehensive listing. See "Risk Descriptions" on page 167 for more information.

### Risks typically associated with ordinary conditions

- |   |                            |
|---|----------------------------|
| • ABS/MBS   | • ESG/sustainability       |
| • Allocation shift                                | • Eurozone                 |
| • Commodity                                       | • Hedging                  |
| • Country risk — China                            | • Interest rate            |
| • Credit incl. below investment grade and unrated | • Investment fund          |
| • Currency  | • Leverage                 |
| • Depository receipt                              | • Management               |
| • Derivatives                                     | • Market                   |
| • Emerging markets                                | • Prepayment and extension |
| • Equities  | • Real estate investment   |

### Risks typically associated with unusual conditions or unpredictable events

- |                               |                         |
|-------------------------------|-------------------------|
| • Circumstantial liquidity    | • Operational and cyber |
| • Counterparty and collateral | • Standard practices    |
| • Default                     | • Tax change            |

**Risk monitoring approach** Absolute VaR. Expected gross leverage: 100% (not guaranteed; may be higher or lower).

*Continues on next page.*

## Planning your Investment

**Investor profile** Investors who understand the risks of the fund and plan to invest for the medium term.

The fund may appeal to investors who:

- are looking for a combination of income and investment growth
- seek income whether in the form of capital appreciation or distributions
- are interested in exposure to a diversified asset mix globally, either for a core investment or for diversification
- accept the risks associated with this type of investment

**Processing requests** Requests to buy, exchange and sell shares that are received and accepted by the transfer agent by 1:00 PM CET on any dealing day are ordinarily processed the same day, at a NAV calculated using market values from that day.

Settlement occurs within 3 business days after a request has been accepted.

## Fees (%)

Main share class	Max. one-time fees		Annual fees		
	Entry	CDSC	Management	Adminis-tration	Distribution
A	5.75	—	1.50	0.19	—
B	—	4.00 <sup>1</sup>	1.50	0.19	1.00
C	3.00	1.00 <sup>2</sup>	2.20	0.19	—
F	—	—	0.60	0.19	—
I	3.00	—	0.60	0.14	—
J	—	—	—	0.14	—
S	—	—	0.60	0.10	—
Z	1.00	—	0.60	0.10	—

<sup>1</sup> Contingent deferred sales charge applies to shares sold within 4 years of purchase and decreases yearly by 1%. After 4 years these shares automatically convert into class A shares.

<sup>2</sup> Contingent deferred sales charge applies to shares sold within 1 year of purchase.

Hedged share classes also pay a hedging fee of maximum 0.03%. For more about fees and expenses, see "Fund Fees and Costs" on page 200. For a current and complete list of available share classes, go to [morganstanleyinvestmentfunds.com](https://www.morganstanleyinvestmentfunds.com).

# Global Balanced Income Fund

## Investment Objective and Policy

**Objective** To increase the value of your investment through a combination of income and growth of capital (total return) with comparatively moderate volatility.

**Investment policy** The fund invests, directly or indirectly, at least 70% of total net assets in a range of asset classes, such as equities, bonds, real estate, commodities and cash equivalents, anywhere in the world, including emerging markets. Some of the bond investments may be below investment grade (high yield bonds).

Specifically, these investments are in bonds of any credit quality or unrated and equities, and may include eligible closed-end real estate investment trusts (REITs), commodity-linked securities, securitised instruments, such as asset-backed securities (ABSs).

The fund may invest up to 30% of total net assets in securities not meeting the criteria of the fund's primary investments.

The fund may invest in, or be exposed to, the following, up to the percentage of total net assets indicated:

- equities: 90%, with a minimum of 10%
- below investment grade bonds: 30%
- China A-shares (through Stock Connect): 10%

Non-base currency exposure may be partially or fully hedged to the base currency of the fund.

See also "Permitted assets, techniques and transactions" on page 177.

**Derivatives and techniques** The fund may use derivatives for reducing risks (hedging) and costs, and for investment purposes.

In addition to core derivatives (see "How the Funds Use Instruments and Techniques"), the fund may use total return swaps (TRSs) and credit derivatives.

*TRS usage* 0% of total net assets expected, 50% maximum.

*Securities lending* None.

**Strategy** In actively managing the fund, the investment manager combines macroeconomic and market analysis to make tactical views on asset classes globally and dynamically allocate investments across asset classes and geographic areas with a focus on high-yielding securities (top-down approach). The investment manager maintains a predefined moderate portfolio volatility and seeks additional income by writing exchange-traded options on indices, securities or currencies.

**Sustainability approach** The investment manager also integrates a range material ESG factors. These factors may include, but are not limited to, climate change, carbon emissions, water scarcity, waste management, biodiversity, labour management, gender diversity, health and safety, product safety, data privacy and security, executive remuneration, board independence, shareholder rights, and bribery and corruption.

The investment manager 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 in order to ensure that the target companies follow good governance practices.

The investment manager shall not knowingly include in the investment universe companies:

- associated with severe ESG controversies
- involved with controversial weapons (including civilian firearms)
- involved in gambling
- associated with tobacco
- associated with adult entertainment
- that derive revenue from Arctic oil and gas or from oil sands
- that derive revenue from thermal coal or from thermal coal generation

The details of the above exclusions can be found in the fund's exclusion policy which is available on the SICAV's [website](#). The exclusions (which comprise, but are not limited to, the above exclusions) are determined by the investment manager'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 direct investments within the fund. The exclusion criteria will not be applied to investments in which the investment manager 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 manager, taking into account the best interests of the shareholders of the fund.

The investment manager integrates ESG data including ratings and scores from third parties when constructing security baskets to implement asset class views, subject to a tracking error and other constraints. The investment manager 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 manager using internal methodologies or reasonable estimates. The methodologies used by different data providers may also vary and may result in different scores.

The investment manager tilts the portfolio of the fund towards high ESG performing equities, and aims to improve the aggregated fund ESG performance versus that of the underlying equity index. In addition to ESG factors, the investment manager treats climate change as a separate consideration, and also applies an additional climate change score during the tilting process.

The investment manager creates – for all 11 GICS sectors within each regional equity market – individual baskets that tilt towards the top quartile ESG and low-carbon transition leaders.

*SFDR product category* Article 8.

For more information on sustainability, see the fund's sustainability annex and the "Sustainable Investing" section on page 175.

**Benchmark(s)** None.

**Fund base currency** EUR.

## Main Risks

The risks below are divided according to how frequent (but not necessarily how significant) their effect may be on the fund. These are only the main risks, not a comprehensive listing. See "Risk Descriptions" on page 167 for more information.

### Risks typically associated with ordinary conditions

- ABS/MBS
- Allocation shift
- Commodity
- Country risk — China
- Credit incl. below investment grade and unrated
- Currency
- Derivatives
- Emerging markets
- Equities
- ESG/sustainability
- Eurozone
- Hedging
- Interest rate
- Investment fund
- Leverage
- Management
- Market
- Prepayment and extension
- Real estate investment

### Risks typically associated with unusual conditions or unpredictable events

- Circumstantial liquidity
- Counterparty and collateral
- Default
- Operational and cyber
- Standard practices
- Tax change

**Risk monitoring approach** Absolute VaR. Expected gross leverage: 100% (may be higher depending on market conditions).

*Continues on next page.*

## Planning your Investment

**Investor profile** Investors who understand the risks of the fund and plan to invest for the medium term.

The fund may appeal to investors who:

- are looking for a combination of income and investment growth
- seek income whether in the form of capital appreciation or distributions
- are interested in exposure to a diversified asset mix globally, either for a core investment or for diversification
- accept the risks associated with this type of investment

**Processing requests** Requests to buy, exchange and sell shares that are received and accepted by the transfer agent by 1:00 PM CET on any dealing day are ordinarily processed the same day, at a NAV calculated using market values from that day.

Settlement occurs within 3 business days after a request has been accepted.

### Fees (%)

Main share class	Max. one-time fees		Annual fees		
	Entry	CDSC	Management	Adminis- tration	Distribution
A	5.75	—	1.50	0.19	—
B	—	4.00 <sup>1</sup>	1.50	0.19	1.00
C	3.00	1.00 <sup>2</sup>	2.20	0.19	—
F	—	—	0.60	0.19	—
I	3.00	—	0.60	0.14	—
J	—	—	—	0.14	—
S	—	—	0.60	0.10	—
Z	1.00	—	0.60	0.10	—

<sup>1</sup> Contingent deferred sales charge applies to shares sold within 4 years of purchase and decreases yearly by 1%. After 4 years these shares automatically convert into class A shares.

<sup>2</sup> Contingent deferred sales charge applies to shares sold within 1 year of purchase.

Hedged share classes also pay a hedging fee of maximum 0.03%. For more about fees and expenses, see "Fund Fees and Costs" on page 200. For a current and complete list of available share classes, go to [morganstanleyinvestmentfunds.com](http://morganstanleyinvestmentfunds.com).

# Global Balanced Risk Control Fund of Funds

## Investment Objective and Policy

**Objective** To increase the value of your investment through a combination of income and growth of capital (total return) with comparatively moderate volatility.

**Investment policy** The fund invests, mainly indirectly through funds, at least 70% of total net assets in a range of asset classes, such as equities, bonds, real estate, commodities and cash equivalents, anywhere in the world, including emerging markets. Some of the bond investments may be below investment grade (high yield bonds).

Specifically, these investments are mainly in undertakings for collective investments (UCIs), including those from the SICAV or other UCIs managed by the investment manager or third party UCIs or ETFs. The fund may be exposed to bonds of any credit quality or unrated, equities, commodity-linked securities, securitised instruments, such as asset-backed securities (ABSs).

The fund may invest up to 30% of total net assets in securities not meeting the criteria of the fund's primary investments, such as eligible closed-end real estate investment trusts (REITs).

The fund may invest in, or be exposed to, the following, up to the percentage of total net assets indicated:

- China A-shares (through Stock Connect): 10%

Non-base currency exposure may be partially or fully hedged to the base currency of the fund.

See also "Permitted assets, techniques and transactions" on page 177.

**Derivatives and techniques** The fund may use derivatives for reducing risks (hedging) and costs, and for investment purposes.

In addition to core derivatives (see "How the Funds Use Instruments and Techniques"), the fund may use total return swaps (TRSs).

*TRS usage* 0% of total net assets expected, 50% maximum.  
*Securities lending* None.

**Strategy** In actively managing the fund, the investment manager combines macroeconomic and market analysis within a risk-controlled framework to dynamically allocate investments across asset classes and geographic areas (top-down approach). The investment manager also maintains a predefined moderate portfolio volatility.

In making investment decisions, the investment manager does not consider the EU criteria for environmentally sustainable economic activities for the purpose of the Taxonomy Regulation.

*SFDR product category* Article 6.

**Benchmark(s)** None.

**Fund base currency** EUR.

## Main Risks

The risks below are divided according to how frequent (but not necessarily how significant) their effect may be on the fund. These are only the main risks, not a comprehensive listing. See "Risk Descriptions" on page 167 for more information.

### Risks typically associated with ordinary conditions

- ABS/MBS
- Allocation shift
- Commodity
- Country risk — China
- Credit incl. below investment grade and unrated
- Currency
- Depositary receipt
- Derivatives
- Emerging markets
- Equities
- ESG/sustainability
- Eurozone
- Hedging
- Interest rate
- Investment fund
- Leverage
- Management
- Market
- Prepayment and extension
- Real estate investment

### Risks typically associated with unusual conditions or unpredictable events

- Circumstantial liquidity
- Counterparty and collateral
- Default
- Operational and cyber
- Standard practices
- Tax change

**Risk monitoring approach** Absolute VaR. Expected gross leverage: 50% (not guaranteed; may be higher or lower).

## Planning your Investment

**Investor profile** Investors who understand the risks of the fund and plan to invest for the medium term.

The fund may appeal to investors who:

- are looking for a combination of income and investment growth
- seek income whether in the form of capital appreciation or distributions
- are interested in exposure to a diversified asset mix globally, either for a core investment or for diversification
- accept the risks associated with this type of investment

**Processing requests** Requests to buy, exchange and sell shares that are received and accepted by the transfer agent by 1:00 PM CET on any dealing day are ordinarily processed the same day, at a NAV calculated using market values from that day.

Settlement occurs within 3 business days after a request has been accepted.

### Fees (%)

Main share class	Max. one-time fees		Annual fees		
	Entry	CDSC	Management	Adminis-tration	Distribution
A	5.75	—	2.00	0.19	—
B	—	4.00 <sup>1</sup>	2.00	0.19	1.00
C	3.00	1.00 <sup>2</sup>	2.70	0.19	—
F	—	—	0.80	0.19	—
I	3.00	—	0.80	0.14	—
J	—	—	—	0.14	—
S	—	—	0.80	0.10	—
Z	1.00	—	0.80	0.10	—

<sup>1</sup> Contingent deferred sales charge applies to shares sold within 4 years of purchase and decreases yearly by 1%. After 4 years these shares automatically convert into class A shares.

<sup>2</sup> Contingent deferred sales charge applies to shares sold within 1 year of purchase.

Hedged share classes also pay a hedging fee of maximum 0.03%. For more about fees and expenses, see "Fund Fees and Costs" on page 200. For a current and complete list of available share classes, go to [morganstanleyinvestmentfunds.com](https://www.morganstanleyinvestmentfunds.com).



# Global Balanced Sustainable Fund

## Investment Objective and Policy

**Objective** To increase the value of your investment through a combination of income and growth of capital (total return) with comparatively moderate volatility.

**Investment policy** The fund invests, directly or indirectly, at least 70% of total net assets in a range of asset classes, such as equities, bonds, real estate, commodities and cash equivalents, anywhere in the world, including emerging markets. Some of the bond investments may be below investment grade (high yield bonds). A portion of these investments is made of assets with a measurable positive social or environmental impact.

Specifically, these investments are in bonds of any credit quality or unrated and equities, and may include eligible closed-end real estate investment trusts (REITs), commodity-linked securities, securitised instruments, such as asset-backed securities (ABSs).

The fund may invest up to 30% of total net assets in securities not meeting the criteria of the fund's primary investments.

The fund may invest in, or be exposed to, the following, up to the percentage of total net assets indicated:

- equities, bonds and funds with measurable positive social or environmental impact: 30%, with a minimum of 5%
- China A-shares (through Stock Connect): 10%

Non-base currency exposure may be partially or fully hedged to the base currency of the fund.

See also "Permitted assets, techniques and transactions" on page 177.

**Derivatives and techniques** The fund may use derivatives for reducing risks (hedging) and costs, and for investment purposes.

In addition to core derivatives (see "How the Funds Use Instruments and Techniques"), the fund may use total return swaps (TRSs) and credit derivatives.

*TRS usage* 0% of total net assets expected, 50% maximum.

*Securities lending* None.

**Strategy** In actively managing the fund, the investment manager combines macroeconomic and market analysis to make tactical views on asset classes globally and dynamically allocate investments across asset classes and geographic areas (top-down approach). The investment manager maintains a predefined moderate portfolio volatility.

**Sustainability approach** Sustainability factors are considered by the investment manager during both the investment and research process to limit exposure to sustainability risks and seek out investment opportunities. These criteria may include, but are not limited to, climate change, carbon emissions, water scarcity, waste management, biodiversity, labour management, gender diversity, health and safety, product safety, data privacy and security, executive remuneration, board independence, shareholder rights, and bribery and corruption. The fund takes into account the long-term global warming objectives of the Paris Agreement.

In relation to this fund, "sustainable" means that the investment manager, in its discretion, integrates ESG considerations in its investment decision-making. The investment manager 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 in order to ensure that the target companies follow good governance practices.

The investment manager shall not knowingly include in the investment universe companies:

- associated with severe ESG controversies
- involved with controversial weapons (including civilian firearms)
- involved in gambling
- associated with tobacco

- that derive revenue from thermal coal and oil sands

The details of the above exclusions can be found in the fund's exclusion policy which is available on the SICAV's [website](#). The exclusions (which comprise, but are not limited to, the above exclusions) are determined by the investment manager'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 direct investments within the fund. The exclusion criteria will not be applied to investments in which the investment manager 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 manager, taking into account the best interests of the shareholders of the fund.

The investment manager integrates ESG data including ratings and scores from third parties when constructing security baskets to implement asset class views, subject to a tracking error and other constraints. The investment manager tilts the portfolio of the fund towards high ESG performing equities, and aims to improve the aggregated fund ESG performance versus that of the underlying equity index. In addition to ESG factors, the investment manager treats climate change as a separate consideration, and also applies an additional climate change score during the tilting process.

The fund will take into account the long-term global warming objectives of the Paris Agreement. To reach this environmental objective the investment manager's ESG integration process has two distinct climate tilts: 1) stock-specific and 2) sector-specific.

For the stock-specific, the investment manager creates – for all 11 GICS sectors within each regional equity market – individual baskets that tilt towards the top quartile ESG and low-carbon transition leaders. For the sector-specific, the investment manager aggregates the sector baskets subject to an overall carbon budget, aligned with a science-based climate trajectory subject to tracking error.

The investment manager will also allocate 5% to 30% of the fund for investment in assets with a measurable positive social or environmental impact (based on the investment manager's methodology), alongside a competitive long-term financial return. These investments can be held directly through equity or fixed income securities, or indirectly through collective investment schemes.

The aforementioned ESG criteria should result in a reduction of the investible universe (as described below) in a significantly engaging manner, and the investment manager will use its best efforts to ensure that at least 90% of the issuers in the portfolio are assessed against these ESG considerations.

As noted above, the investment manager 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 manager using internal methodologies or reasonable estimates. The methodologies used by different data providers may also vary and may result in different scores.

*SFDR product category* Article 8.

For more information on sustainability, see the fund's sustainability annex and the "Sustainable Investing" section on page 175.

**Benchmark(s)** None.

**Fund base currency** EUR.

*Continues on next page.*

## Main Risks

The risks below are divided according to how frequent (but not necessarily how significant) their effect may be on the fund. These are only the main risks, not a comprehensive listing. See "Risk Descriptions" on page 167 for more information.

### Risks typically associated with ordinary conditions

- ABS/MBS
- Allocation shift
- Commodity
- Country risk — China
- Credit incl. below investment grade and unrated
- Currency
- Depositary receipt
- Derivatives
- Emerging markets
- Equities
- ESG/sustainability
- Eurozone
- Hedging
- Interest rate
- Investment fund
- Leverage
- Management
- Market
- Prepayment and extension
- Real estate investment

### Risks typically associated with unusual conditions or unpredictable events

- Circumstantial liquidity
- Counterparty and collateral
- Default
- Operational and cyber
- Standard practices
- Tax change

**Risk monitoring approach** Absolute VaR. Expected gross leverage: 100% (not guaranteed; may be higher or lower).

## Planning your Investment

**Investor profile** Investors who understand the risks of the fund and plan to invest for the medium term.

The fund may appeal to investors who:

- are looking for a combination of income and investment growth
- seek income whether in the form of capital appreciation or distributions
- are interested in exposure to a diversified asset mix globally, either for a core investment or for diversification
- accept the risks associated with this type of investment

**Processing requests** Requests to buy, exchange and sell shares that are received and accepted by the transfer agent by 1:00 PM CET on any dealing day are ordinarily processed the same day, at a NAV calculated using market values from that day.

Settlement occurs within 3 business days after a request has been accepted.

### Fees (%)

Main share class	Max. one-time fees		Annual fees		
	Entry	CDSC	Management	Adminis-tration	Distribution
A	5.75	—	1.50	0.19	—
B	—	4.00 <sup>1</sup>	1.50	0.19	1.00
C	3.00	1.00 <sup>2</sup>	2.00	0.19	—
F	—	—	0.60	0.19	—
I	3.00	—	0.60	0.14	—
J	—	—	0.35	0.14	—
S	—	—	0.60	0.10	—
Z	1.00	—	0.60	0.10	—

<sup>1</sup> Contingent deferred sales charge applies to shares sold within 4 years of purchase and decreases yearly by 1%. After 4 years these shares automatically convert into class A shares.

<sup>2</sup> Contingent deferred sales charge applies to shares sold within 1 year of purchase.

Hedged share classes also pay a hedging fee of maximum 0.03%. For more about fees and expenses, see "Fund Fees and Costs" on page 200. For a current and complete list of available share classes, go to [morganstanleyinvestmentfunds.com](http://morganstanleyinvestmentfunds.com).

# Parametric Commodity Fund

## Investment Objective and Policy

**Objective** To increase the value of your investment, while providing a total return equivalent to that of the benchmark (gross of fees and expenses).

**Investment policy** The fund invests, indirectly through derivatives, at least 70% of total net assets in a basket of commodities represented in the benchmark, including such sectors as agriculture, livestock, energy, and industrial and precious metals.

Specifically, the fund invests in swaps that provide a synthetic exposure to the benchmark and anticipates a tracking error of less than 1.5% in normal market conditions. The approved counterparty for all swaps transactions is the benchmark administrator and any of its affiliates. The fund may also invest in other funds, including ETFs, if it deems to be the most efficient way to gain exposure to the benchmark.

The fund may invest up to 30% of total net assets in securities not meeting the criteria of the fund's primary investments, such as bonds and cash equivalents.

The fund holds treasury bills and targets a weighted average duration of between 0 and 1 year (it may be higher depending on market conditions).

Non-base currency exposure may be partially or fully hedged to the base currency of the fund.

See also "Permitted assets, techniques and transactions" on page 177.

**Derivatives and techniques** The fund may use derivatives for reducing risks (hedging) and costs, and for investment purposes.

In addition to core derivatives (see "How the Funds Use Instruments and Techniques"), the fund uses extensively total return swaps (TRSs).

*TRS usage* 100% of total net assets expected, 100% maximum.  
*Securities lending* None.

**Strategy** In passively managing the fund, the investment manager seeks to track the performance of the benchmark by replicating its risk/return profile. The benchmark uses a quantitative, rule-based model for sector weightings and index rebalancing that aims to take advantage of market movements (top-down approach).

The investment manager does not take sustainability risks into account in the investment decisions in respect of the fund for the following reasons:

- the fund gains exposure to the benchmark through a derivative(s) as part of its investment policy
- the benchmark does not consider sustainability risks, screening, exclusions, controversies, etc. as part of its methodology; therefore, such risks will be analysed or considered by investment manager
- the investment manager does not have discretion on the fund's exposure

In making investment decisions, the investment manager does not consider the EU criteria for environmentally sustainable economic activities for the purpose of the Taxonomy Regulation.

*SFDR product category* Article 6.

**Benchmark(s)** Barclays Commodity Index 1754, used for tracking. See page 175 for usage definitions.

The index is designed to reflect the performance of a broad range of commodities using a rules-based model. It provides exposure to such sectors such as agriculture, energy, industrial metals, precious metals and livestock.

Selection of index components begins with screening a universe of commodity components based on two criteria:

- sufficient liquidity (as measured by trading volume and open interest) that rebalancing trades can be implemented without affecting market prices
- denominated in USD, to eliminate the effects of fluctuations in foreign exchange rates

The components remaining after the screening are then assigned to one of four liquidity tiers. Tier 1 components are the most liquid and have the highest target weightings, Tier 4 the least liquid and the lowest target weightings. When two components are highly correlated (such as Brent Crude and WTI Crude) or are themselves refined in other commodities (such as crude oil being refined into gasoline and heating oil), they are moved to the next lower liquidity tier to reduce concentration risk.

The index is rebalanced monthly. Any component's deviation from the target weight is reset over the first four business days of the month, with 25% of the deviation removed each of those days, so that the index is fully rebalanced at the end of the fourth business day. The maximum exposure to any component or group of highly correlated components is not expected to exceed 20%. The effect of rebalancing will be to decrease exposure to components with the largest relative outperformance and increase exposure to those with the largest relative underperformance. The anticipated yearly costs of index rebalancing are currently 0.05%. These costs are reviewed at least once a year.

Barclays bank plc is the index sponsor. Bloomberg Index Services Limited is the index calculation agent. For a list of index components and other details, go to [indices.cib.barclays/IM/12/en/indices/details.app;ticker=BXCS1754](https://indices.cib.barclays/IM/12/en/indices/details.app;ticker=BXCS1754).

**Fund base currency** USD.

## Main Risks

The risks below are divided according to how frequent (but not necessarily how significant) their effect may be on the fund. These are only the main risks, not a comprehensive listing. See "Risk Descriptions" on page 167 for more information.

### Risks typically associated with ordinary conditions

- Benchmark orientation
- Commodity
- Credit
- Currency
- Derivatives
- Emerging markets
- ESG/sustainability
- Hedging
- Interest rate
- Investment fund
- Leverage
- Management
- Market
- Swaps

### Risks typically associated with unusual conditions or unpredictable events

- Circumstantial liquidity
- Counterparty and collateral
- Default
- Operational and cyber
- Standard practices
- Tax change

**Risk monitoring approach** Commitment.

## Planning your Investment

**Investor profile** Investors who understand the risks of the fund and plan to invest for the long term.

The fund may appeal to investors who:

- are looking for long-term investment growth
- seek income whether in the form of capital appreciation or distributions
- are interested in exposure to commodity markets, either for a core investment or for diversification
- accept the risks associated with this type of investment

**Processing requests** Requests to buy, exchange and sell shares that are received and accepted by the transfer agent by 1:00 PM CET on any dealing day are ordinarily processed the same day, at a NAV calculated using market values from that day.

Settlement occurs within 3 business days after a request has been accepted.

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**Fees (%)**

Main share class	Max. one-time fees		Annual fees		
	Entry	CDSC	Management	Adminis-tration	Distribution
A	5.75	—	1.40	0.19	—
B	—	4.00 <sup>1</sup>	1.40	0.19	1.00
C	3.00	1.00 <sup>2</sup>	1.85	0.19	—
F	—	—	0.55	0.19	—
I	3.00	—	0.55	0.14	—
J	—	—	—	0.14	—
S	—	—	0.55	0.10	—
Z	1.00	—	0.55	0.10	—

<sup>1</sup>Contingent deferred sales charge applies to shares sold within 4 years of purchase and decreases yearly by 1%. After 4 years these shares automatically convert into class A shares.

<sup>2</sup>Contingent deferred sales charge applies to shares sold within 1 year of purchase.

Hedged share classes also pay a hedging fee of maximum 0.03%. For more about fees and expenses, see "Fund Fees and Costs" on page 200. For a current and complete list of available share classes, go to [morganstanleyinvestmentfunds.com](http://morganstanleyinvestmentfunds.com).

# Systematic Liquid Alpha Fund

## Investment Objective and Policy

**Objective** To provide an attractive level of total return, with the potential for low correlation to traditional asset classes (bonds and equities) and a target annualised volatility of 8% over the long term. While the fund aims to achieve positive returns and its volatility target, this is not guaranteed.

**Investment policy** The fund seeks to achieve its objective primarily (at least 70% of total net assets) through exposure to a diversified set of investment strategies across different asset classes, directly or indirectly, being equities, fixed income securities (primarily of investment grade quality with no direct exposure to distressed securities), cash equivalents, currencies, and commodities (only indirectly).

Within each asset class, the fund will seek exposure to different strategies in order to provide diversified returns. The allocation to the different asset classes and strategies will be based on a systematic process set by the investment manager, aimed at achieving the fund's volatility targeting. This process considers the volatility of the different strategies, the correlations between them and their correlations to equities and bonds. However, for temporary defensive purposes, during periods in which the investment manager believes changes in economic, financial or political conditions make it advisable, the investment manager retains the discretion to reduce the exposure of the fund to equities, fixed income securities, currencies, and commodities and invest the fund's assets in cash equivalents (including treasuries).

The fund may invest in treasuries.

See also "Permitted assets, techniques and transactions" on page 177.

**Derivatives and techniques** The fund may use derivatives for reducing risks (hedging) and costs, and for investment purposes.

In addition to core derivatives (see "How the Funds Use Instruments and Techniques"), the fund may use total return swaps (TRSs).

*TRS usage* 600% of total net assets expected, 2,000% maximum. *Securities lending* None.

**Strategy** The fund may gain exposure to the different strategies through UCITS-eligible indices (the "Indices") which can be accessed via financial derivative instruments (such as unfunded total return swaps or other derivatives), and to a limited extent (up to 10% of total net assets), via units/shares of other collective investment schemes, including the SICAV's funds and open-ended ETFs which are eligible investments for UCITS under the 2010 Law. The unfunded total return swaps that the fund may use are structured to allow the fund to receive return from the underlying index in exchange of fees. The fund may also buy and sell futures, listed options and common stocks or other UCITS eligible asset classes. The fund is actively managed and the composition of the portfolio holdings is not constrained by any benchmarks.

The fund may pursue exposure to a wide range of investment strategies, including without limitation:

- value strategies: seek to take advantage of securities that have low valuations relative to similar securities
- carry strategies: seek to capture the tendency of higher-yielding assets to provide higher returns than lower-yielding assets; an asset's "carry" is defined as its return assuming that market conditions stay the same, meaning that carry is the income earned if the asset's price remains constant over the holding period
- curve strategies: seek to benefit from structural inefficiencies often present in rate and commodity future yield curves; different points on these curves can be impacted by excessive demand or supply stemming from structural flows from different market participants such as hedgers, producers, borrowers, or lenders
- trend/momentum strategies: seek to benefit from the historical tendency of assets' recent relative performance to continue, typically focusing on investments that have performed relatively well over those that have underperformed; trend strategies are effectively aggregations of momentum strategies, taking

long positions in markets with recent positive returns and short positions in those with recent negative returns; the persistence in price trends has delivered excess returns over time, including and during some abnormal market conditions

- mean reversion strategies: seek to benefit from the tendency of securities prices or other metrics to revert to their historical mean in a somewhat predictable fashion in a specific time window

Any information on indices that are "financial indices" (including calculation methodologies, constituents, weightings, etc) and any change thereof, will be made available at the following website: [morganstanley.com/im/publication/msinvf/material/msinvf\\_systematicliquidalpha\\_en.pdf](https://morganstanley.com/im/publication/msinvf/material/msinvf_systematicliquidalpha_en.pdf). Financial indices may make use of increased diversification limits: each component of a financial index may represent up to 20% of the index, except that one single component may represent up to 35% of the index where justified by exceptional market conditions, as it may be the case for highly correlated commodities (such as in the petroleum products sector) with regard to commodity financial indices. Commodity markets are inherently prone to "exceptional market conditions" due to the limited universe of investable commodity futures contracts with adequate liquidity upon which a financial index may be based. None of such indices rebalances on an intra-day or daily basis.

The investment manager does not take sustainability risks into account in the investment decisions in respect of the fund for the following reasons:

- the fund gains exposure to the indices through derivative as part of its investment policy
- the indices do not consider sustainability risks, screening, exclusions, controversies, etc, as part of its methodology; therefore, such risks will not be analysed/considered by investment manager

In making investment decisions, the investment manager does not consider the EU criteria for environmentally sustainable economic activities for the purpose of the Taxonomy Regulation.

*SFDR product category* Article 6.

**Benchmark(s)** See the Key Information Document for information on the benchmark that is used for performance comparison.

**Fund base currency** USD.

## Main Risks

The risks below are divided according to how frequent (but not necessarily how significant) their effect may be on the fund. These are only the main risks, not a comprehensive listing. See "Risk Descriptions" on page 167 for more information.

### Risks typically associated with ordinary conditions

- Allocation shift
- Commodity
- Credit
- Currency
- Derivatives
- Emerging markets
- Equities
- ESG/sustainability
- Eurozone
- Hedging
- Interest rate
- Investment fund
- Leverage
- Management
- Market
- Short position
- Swaps

### Risks typically associated with unusual conditions or unpredictable events

- Circumstantial liquidity
- Counterparty and collateral
- Default
- Operational and cyber
- Standard practices
- Tax change

**Risk monitoring approach** Absolute VaR. Expected gross leverage: 600% (not guaranteed; may be higher or lower).

*Continues on next page.*

## Planning your Investment

**Investor profile** Investors who understand the risks of the fund and plan to invest for the medium term.

The fund may appeal to investors who:

- seek to invest in alternative strategies, either for a core investment or for diversification
- seek a capital appreciation over the medium term
- seek that portfolio volatility is managed with to a pre-defined target
- accept the risks associated with this type of investment

**Processing requests** Requests to buy, exchange and sell shares that are received and accepted by the transfer agent by 1:00 PM CET on any dealing day are ordinarily processed the same day, at a NAV calculated using market values from that day.

Settlement occurs within 3 business days after a request has been accepted.

## Fees (%)

Main share class	Max. one-time fees		Annual fees		
	Entry	CDSC	Management	Adminis-tration	Distribution
A	5.75	—	1.65	0.19	—
B	—	4.00 <sup>1</sup>	1.65	0.19	1.00
C	3.00	1.00 <sup>2</sup>	2.15	0.19	—
F	—	—	0.65	0.19	—
I	3.00	—	0.65	0.14	—
J	—	—	0.35	0.14	—
S	—	—	0.65	0.10	—
Z	1.00	—	0.65	0.10	—

<sup>1</sup>Contingent deferred sales charge applies to shares sold within 4 years of purchase and decreases yearly by 1%. After 4 years these shares automatically convert into class A shares.

<sup>2</sup>Contingent deferred sales charge applies to shares sold within 1 year of purchase.

Hedged share classes also pay a hedging fee of maximum 0.03%. For more about fees and expenses, see "Fund Fees and Costs" on page 200. For a current and complete list of available share classes, go to [morganstanleyinvestmentfunds.com](http://morganstanleyinvestmentfunds.com).

## Risk Descriptions

All investments involve risk. The risks of some of these funds may be comparatively high.

The risk descriptions below correspond to the main risk factors listed for each fund. Any risk factor may apply differently, in quality and degree, across different funds. Any fund's risk profile may change over time, and unforeseeable risks may arise in the future before the SICAV has had an opportunity to update this prospectus. A fund could potentially be affected by risks beyond those listed for it or described here, nor are these risk descriptions themselves intended as exhaustive. Each risk is described as if for an individual fund.

Any of these risks could cause a fund to lose money, to perform less well than similar investments or a benchmark, to experience high volatility (ups and downs in NAV), to fail to meet its objective over any period of time, or to create conditions under which its objective is achievable. In certain circumstances the right to buy, exchange, or sell shares may be suspended, as described in "Rights We Reserve" on page 192.

### Risks typically associated with ordinary conditions

*Risks included in this section are generally present to a material degree in ordinary conditions (in particular market, economic, and political conditions) and are likely to have an effect on NAV on a frequent or even daily basis. These risks also tend to be present – and more potent – in unusual market conditions.*

**Absolute return strategies risk** While an absolute return strategy aims for positive returns through a market cycle, it may not achieve them, and also may underperform other types of equity strategies during positive market conditions.

**ABS/MBS risk** Asset-backed and mortgage-backed securities (ABSs and MBSs), and other types of collateralised debt security, typically carry credit, prepayment and extension risk and can carry above-average liquidity risk.

MBSs (a category that includes collateralised mortgage obligations, or CMOs) and ABSs represent an interest in a pool of debt, such as credit card receivables, auto loans, student loans, equipment leases, home mortgages and home equity loans.

ABSs and MBSs also tend to be of lower credit quality than many other types of debt securities. To the extent that the debts underlying an MBS or ABS go into default or become noncollectable, the securities based on those debts will lose some or all of their value.

Because ABSs and MBSs divide the risks and benefits of the underlying pool of investments into tranches, or layers, the highest risk tranches may become worthless if even a relatively small portion of the underlying debt obligations go into default.

Non-agency MBSs are securities issued by private institutions. These securities have no credit guarantee other than the quality of the loans behind them, and any other structural credit protection provided by the terms of the bond deal they belong to.

**Allocation shift risk** To the extent the fund shifts its investment exposure among asset classes with different risk/return levels, its overall risk/return levels will shift accordingly.

High exposure to a higher-risk class, such as emerging markets equities or below investment grade bonds, will increase the fund's overall risk/return level. In addition, the nature of the fund's risk exposure will change. For example, bonds and equities respond in different ways, and to different degrees, to some risk factors, and in addition bonds and equities each are affected by factors that have little effect on the other.

**Benchmark orientation risk** Indices used for benchmarks are rule-based and may not yield future positive performance. A fund that is managed with reference to a benchmark might underperform its benchmark over any given period of time, and not take any defensive measures to protect from losses when the benchmark declines.

Market indexes, which are typically used as benchmarks, are calculated by independent entities without consideration for how they may affect fund performance. The index providers make no guarantee that their index calculations are accurate and assume no

liability for any losses of investors in any investment that tracks any of their indexes. If a provider ceases to maintain an index, or loses or fails to gain its ESMA registration as a benchmark provider, the fund may be liquidated if no suitable replacement can be found.

The fund may also underperform, or be less correlated to changes of value of, its benchmark due to replication expenses such as swap transaction costs.

**Coco bonds risk** Contingent convertible securities (coco bonds) are comparatively untested, their issuers can cancel or modify scheduled income payments at will, they are more vulnerable to losses than equities, they carry extension risk, and they can be highly volatile.

Coco bonds carrying the following risks, among others:

- **Trigger level risk:** Coco bonds are issued with a trigger level, for example, the issuer's core liquid assets falling below 5%. If the trigger level is reached, the coco bond automatically converts to equity, which may, however, be worth little or nothing. A trigger could be reached either through a loss of capital (numerator) or an increase in risk-weighted assets (denominator).
- **Coupon cancellation:** With some coco bonds, the issuer may cancel coupon payments at any time, for any reason and for any length of time. Cancelled payments do not accumulate. Cancellation can create valuation risk.
- **Capital structure inversion risk:** A coco bond can be junior not only to other debt but to equity as well, meaning that in certain circumstances (such as the activation of a high trigger principal write down) a coco bond will be among the first securities of the issuer to suffer losses.
- **Call extension risk:** With coco bonds that are structured as perpetual loans, the principal amount may be paid off on the call date, anytime afterward, or never.
- **Unknown risk:** How coco bonds will behave in a stressed environment is uncertain. For example, the market may consider a trigger activation or coupon suspension by a single issuer to be a systemic event, leading to price contagion, volatility or liquidity risk across some or all of the asset class.
- **Yield/Valuation risk:** While cocos tend to offer attractive yields, any assessment of their risk must include not only their credit ratings (which may be below investment grade) but also the other risks associated with cocos, such as the risk of conversion, coupon cancellation, and liquidity risk. It is unclear to what extent investors have accurately assessed the risks of coco bonds.

**Commodity risk** Commodities tend to be highly volatile, and may be disproportionately affected by political, economic, weather, trade, agricultural and terrorist-related events and by changes in energy and transportation costs.

Because they respond to specific factors, commodity prices may behave differently from each other and from equities, bonds and other common investments.

**Concentration risk** To the extent that the fund invests a large portion of its assets in a limited number of industries, sectors, or issuers, or within a limited geographical area, it can be more risky than a fund that invests more broadly.

Focusing on any company, industry, sector, country, region, type of equity, type of economy, etc. makes the fund more sensitive to the factors that determine market value for the area of focus. These factors may include economic, financial, or market conditions as well as social, political, economic, environmental, or other conditions. The result can be both higher volatility and a greater risk of loss.

**Convertible bonds risk** Because convertible bonds are structured as bonds whose repayment of principal is typically in the form of a pre-determined number of equity shares (rather than cash), they carry both equity risk and the risks typical of bonds, such as credit, interest rate, default and prepayment risk, as well as liquidity risk.

**Country risk — China** The legal rights of investors in China are uncertain, government intervention is common and unpredictable, some of the major trading and custody systems are unproven, and all types of investments are likely to have comparatively high volatility and greater liquidity and counterparty risks.

In China, it is uncertain whether a court would protect the fund's right to securities it may purchase, regardless of the type of purchase and custody arrangements. No currently available arrangement requires full accountability of all of its component entities, which leaves investors such as the fund with relatively little standing for legal action in China. For example, to meet the short settlement cycles for certain trading channels, the fund may sometimes need to work with a trade clearing entity that temporarily assumes the role of custodian, in which case the depositary would effectively lose its right to oversee or appeal the execution of the transaction.

Trades placed in Chinese markets may not always be handled according to regulation or best execution practices. For example, a trade order placed by the fund may be disadvantaged by being bundled with others or by the place it is assigned in queue. The requirement that all sell orders be pre-checked to ensure that sufficient shares exist to meet the order may in practice limit the brokers eligible to execute the trade. In addition, Chinese security exchanges or authorities may tax or limit short-swing profits, compel disclosure of large ownership stakes at the SICAV level, recall eligible equities, set or change quotas (maximum trading volumes, either at the investor level or at the market level), or otherwise block, limit, restrict or delay trading, hampering or preventing a fund from implementing its intended strategies or trading plans. Tax rules may be complex or unclear and investors may be subject to higher than appropriate taxes.

**Qualified Foreign Institutional Investor (QFI) programmes** QFI programmes allow licensed international financial investors to participate in Mainland security exchanges. Investments in Mainland exchanges might however be subject to quotas that can vary unexpectedly, adversely affecting the fund's investments. The fund may also be affected by the QFI rules and restrictions, including rules on permissible investment scope, shareholding restrictions and repatriation of principal and profits, which could hamper fund performance and increase liquidity risk.

Where a fund invests in China A-shares or other securities in China through a QFI, these securities will be maintained by one or more custodians appointed by the QFI. The relevant China A-shares will be held through a securities account with the China Securities Depository and Clearing Corporation Limited (ChinaClear). Such an account may be held in the name of a nominee, and if so may not be segregated from other clients' assets.

The fund may suffer substantial losses if the approval of the QFI status is being revoked or terminated, or otherwise invalidated, as the fund may be prohibited from trading and repatriation of the fund's monies, or if any of the key operators or parties (including QFI custodian/brokers) is bankrupt or in default, or is disqualified from performing its obligations such as execution or settlement of any transaction or transfer of monies or securities.

**Shanghai- and Shenzhen-Hong Kong Stock Connect programmes** Stock Connect is a joint project of the Hong Kong Exchanges and Clearing Limited (HKEX), ChinaClear, the Shanghai Stock Exchange and the Shenzhen Stock Exchange. Hong Kong Securities Clearing Company Limited (HKSCC), a clearing house that in turn is operated by HKEX, acts as nominee for investors accessing Stock Connect Securities.

Creditors of the nominee or custodian could assert that the assets in accounts held for the funds are actually assets of the nominee or custodian. If a court should uphold this assertion, creditors of the nominee or custodian could seek payment from the assets of the relevant fund. Because HKSCC does not guarantee the title to Stock Connect securities it holds as nominee and has no obligation to enforce title or other rights associated with ownership on behalf of beneficial owners (such as the fund), neither the title to such securities or their associated rights (such as participation in corporate actions or shareholder meetings) is assured.

If the SICAV or a fund suffers losses resulting from the performance or insolvency of HKSCC, the SICAV would have no direct legal recourse against HKSCC, because Chinese law does not recognise any direct legal relationship between HKSCC and either the SICAV or the depositary.

If ChinaClear defaults, HKSCC's contractual liabilities will be limited to assisting participants with claims. A fund's attempts to recover lost assets could involve considerable delays and expenses, and may not be successful.

In a suspension in trading through the programme, the fund's ability to invest in China A-shares or access to PRC markets will be adversely affected. Stock Connect trades are settled in RMB and investors must have timely access to a reliable supply of RMB in Hong Kong, which cannot be guaranteed.

**China A-shares** Available through the Stock Connect programmes, these securities may offer limited liquidity due to limitations in trading, or be more volatile and unstable (for instance, due to the risk of suspension of a particular equity or government intervention). These securities are also subject to trading fees, levies and stamp duties that may increase unpredictably, and can only be traded when both the PRC and Hong Kong markets are open for trading.

**China Interbank Bond Market** The CIBM is an over-the-counter market that provides a way for outside investors (such as the fund) to buy Chinese corporate and government bonds. The CIBM may have low trading volumes and high bid and offer spreads, making the bonds comparatively less liquid and more expensive.

**Bond Connect** In addition to opening an account in China to access the CIBM, some funds may invest in bonds tradable in the PRC through Bond Connect, a connection between the PRC and Hong Kong financial infrastructure institutions. The Bond Connect rules imply some limitations for security transaction and hedging, or might change with little or no notice, which can adversely affect the fund's investments. For example, a transfer of Bond Connect securities between two members of Central Moneymarkets Unit (CMU) of the HKMA or between two CMU sub-accounts of the same CMU member is not allowed, and instructions relating to sell and buy orders may not be amended and can only be cancelled in limited circumstances.

In addition, hedging activities are subject to Bond Connect rules and prevailing market practices, and there is no guarantee that the fund will be able to carry out hedging transactions on acceptable terms. The fund may also find it necessary to unwind a hedge in unfavourable market conditions.

Bond Connect securities are held by CMU members, opening two nominee accounts with China Central Depository & Clearing Co., Ltd (CCDC) or Shanghai Clearing House (SHCH). The application of the concepts of "nominee holder" and "beneficial owner" are untested, and there is no assurance that PRC courts will recognise such rules.

**Access products** Some of the funds may gain exposure to Chinese securities markets indirectly through participation notes, equity-linked notes, derivatives or similar instruments. These products may add a further layer of liquidity risk as there may be no active market, and their values may diverge from those of the underlying assets. The position of the fund in the access products may be disclosed to the PRC regulators or PRC stock exchanges upon their requests.

**Internal currency risk** The Chinese government maintains two separate currencies: internal renminbi (CNY), which must remain within China and generally cannot be owned by foreigners, and external renminbi (CNH), which can be owned by any investor. These two currencies are not freely convertible and the exchange rate between the two is subject to foreign exchange control policies of and restrictions imposed by the Chinese government. In addition to general currency risk, this effectively adds a further level of currency risk for outside investors (such as the fund), as well as liquidity risk, since the conversion of CNY to CNH can be restricted, as can the removal of CNH currency from China or Hong Kong.

**Tax risk** How Chinese authorities may choose interpret tax codes is not certain and may change at any time. Tax relief measures currently in effect for non-Chinese investors may be modified or withdrawn. China could assess taxes retroactively, and in some cases could even expand them to apply to all equity and bond income the fund receives from any source, not just China.

The tax status of investments in China that are held by non-Chinese investors can depend on a range of factors, including the type of investor, type of securities involved, investment channel used, and whether the tax applies to capital gains, income or another reference. The stated tax rates for investors from outside of China are:

- 10% corporate income tax



- 6% VAT
- 10% corporate income tax withholding on dividends and interest derived from China for QFIs
- 10% tax on dividends and bonuses of China A-shares for Hong Kong market investor through Stock Connect
- 10% corporate income tax withholding for non-PRC tax resident investors from the trading of bonds through Bond Connect

To encourage investment in China, these taxes are currently suspended for most investments made by non-Chinese investors. However, because the suspensions result from a complex and overlapping series of rules from different authorities, it is not entirely clear what the current tax status is in some cases.

At least three different Chinese government authorities have the power to regulate various tax aspects of investing. Some of the lack of clarity about Chinese tax policy arises from the dynamics among these authorities, such as the refusal of one authority to say whether it concurs with guidance issued by another.

Future tax policy is also unclear. In general, outside investors in China have little insight into government goals or plans, and changes may occur abruptly and without any advance indication from authorities. The underlying tax laws remain on the books, and the measures currently providing tax relief to outside investors such as the fund are described as "provisional" or "temporary", creating uncertainty as how long they might remain in effect, and which investors, securities, channels or references may be affected by any changes. In addition, the custodian of any fund investments in China A-shares and bonds has the power to withhold any tax they reasonably believe is required, including retroactively.

One tax that does remain fully in effect is the stamp duty on transfers of China A-shares, which is 0.1%.

If the authorities rule that the SICAV has failed to meet the standards for its current advantageous tax status (non-resident without a permanent establishment in China), the tax on the fund's income from China A-shares and bonds may increase from 10% to 25%. If the SICAV is ruled to have become a tax resident of China, the 25% tax may apply to all income received by the fund from all sources globally.

In some cases tax obligations may be reduced or eliminated by reciprocal tax treaties between China and Luxembourg, but there is no guarantee that the treaties will remain in place or will be effective.

**Country risk — India** If the fund's registration with the Indian government as a Foreign Portfolio Investor (FPI) is suspended or withdrawn, the fund would no longer be able to invest directly in Indian securities.

Whether the fund invests in Indian securities indirectly (such as through derivatives or structured products such as depositary receipts) or directly, and whether an investor holds beneficial ownership in fund shares directly or through an intermediary, the fund may be required by Indian law or regulation to disclose information about shareholders or beneficial owners to Indian authorities or the DDP (Designated Depository Participant), as applicable. In particular, any natural person who, whether acting alone or together, directly or indirectly, exercises control or has ultimately a controlling ownership interest above 25% of the fund's assets, must disclose their identity to the DDP, the relevant counterparty or the local supervisory authorities, as applicable.

**Country risk — Russia** In Russia, risks associated with custody and counterparties are higher than in developed countries.

Russian custodial institutions and registrars observe their own rules, have significantly less responsibility and accountability to investors, may be poorly regulated, or may otherwise be susceptible to fraud, negligence, or error. The securities markets in these countries may also suffer from impaired efficiency and liquidity, which may worsen price volatility and market disruptions.

If there is a change in Russian law or enforcement practices, the fund may be compelled to provide information about its shareholders to Russian depositaries or authorities. The penalty for non-compliance is uncertain but could involve the freezing or seizure of fund assets. It is also possible that records of the fund's ownership of shares could be altered or erased due to lax enforcement or fraud, leaving the fund with little ability to reclaim its lost investment and no ability to hold any Russian fund service providers responsible.

The Russian Trading Stock Exchange and the Moscow Interbank Currency Exchange are the only exchanges in the Russian Federation that qualify as Recognised Exchanges within the meaning of Article 41 (1) of the 2010 Law.

**Country risk — Saudi Arabia** Investments in Saudi Arabia are likely to have comparatively high volatility, liquidity and counterparty risks, and could be affected by unexpected quotas, limits or other regulatory actions.

The ability of foreign investors to invest in Saudi Arabian issuers is new, untested and subject to limitations. Investing in Saudi markets requires government authorisation, which may be modified or withdrawn. The fund may trade on a secondary market at a higher than usual premium or discount to NAV.

Saudi Arabia relies highly on income from the sale of petroleum to other countries, and its economy is therefore vulnerable to changes in foreign currency values and the market for petroleum. The Saudi Arabia government has an ownership stake in many key industries. The situation is exacerbated by the fact that Saudi Arabia is governed by an absolute monarchy. Saudi Arabia has historically experienced strained relations with economic partners worldwide, including other countries in the Middle East due to geopolitical events. Governmental actions in the future could have a significant effect on economic conditions in Saudi Arabia, which could affect private sector companies and the fund, as well as the value of securities in the fund's portfolio. Any economic sanctions on Saudi Arabian individuals or Saudi Arabian corporate entities, or even the threat of sanctions, may result in the decline of the value and liquidity of Saudi Arabian securities, a weakening of the Saudi riyal or other adverse consequences to the Saudi Arabian economy. In addition, Saudi Arabia's economy relies heavily on cheap, foreign labor, and changes in the availability of this labor supply could have an adverse effect on the economy.

**QFI regime and investments in Saudi Arabian equities** A fund's ability to achieve its investment objective depends on the ability of the investment manager as a QFI, and the fund as a QFI Client, to obtain and maintain their respective authorisations from the Capital Market Authority (CMA), and thereby allow the fund to invest. A failure to obtain or maintain such authorisation could limit the fund's ability to gain exposure to Saudi securities and could increase the cost to the fund of gaining such exposure.

**Credit risk** A bond or money market instrument from any type of issuer could fall in price, and become more volatile and less liquid, if the security's credit rating or the issuer's financial health deteriorates, or the market believes it might.

The downgrading of a rated debt security could decrease the value and liquidity of the security, particularly in a thinly traded market, and also increase the price volatility. A fund may continue to invest in securities that are downgraded after purchase.

**Below investment grade bonds** These bonds are considered speculative. Compared to investment grade bonds, prices and yields of below investment grade bonds are more volatile and sensitive to economic events, and the bonds are less liquid and carry greater default risk.

**Distressed and in-default bonds** These bonds carry the lowest credit quality, are extremely speculative, can be very difficult to value or sell, and often involve complex and unusual situations and extensive legal actions (such as bankruptcy or liquidation of the issuer) whose outcome is quite uncertain.

**Unrated bonds** While the investment manager assesses the credit quality of any unrated securities, there is no guarantee that its determinations will match those a rating agency would have made.

**Sovereign bonds** Bonds issued by governments and government-owned or -controlled entities can be subject to many risks, especially in cases where the government is reliant on payments or extensions of credit from external sources, is unable to institute the necessary systemic reforms or control domestic sentiment, or is unusually vulnerable to changes in geopolitical or economic sentiment.

Even if a government issuer is financially able to pay off its bonds, investors may have little recourse should it decide to delay, discount, or cancel its obligations, as the main avenue to pursue payment is typically the sovereign issuer's own courts.

A fund may suffer significant losses when there is a default of sovereign debt issuers.

In addition, no assurance can be given that the holders of commercial debt will not contest payments to the holders of other foreign government debt obligations in the event of default under their commercial bank loan agreements.

**Collateralised debt obligations** These securities combine, in concentrated form, the credit risks of below investment grade bonds, the prepayment and extension risk of ABSs and MBSs, and the leverage risks associated with derivatives.

Because the securities divide the risks and benefits of the underlying pool of investments into tranches, or layers, the highest risk tranches may become worthless if even a relatively small portion of the underlying mortgages go into default.

**Environmental-related credit risk** Adverse effects of environmental issues, such as climate change and natural disasters, may erode the financial health of a bond issuer and hamper its ability to make required payments to bondholders.

**Currency risk** To the extent that the fund holds assets that are denominated in currencies other than the base currency, or any share class currency, any changes in currency exchange rates could reduce investment gains or income, or increase investment losses, in some cases significantly.

Exchange rates can change rapidly and unpredictably, and it may be difficult for the fund to unwind its exposure to a given currency in time to avoid losses. Changes in exchange rates can be influenced by such factors as export-import balances, economic and political trends, governmental intervention and investor speculation.

Intervention by a central bank, such as aggressive buying or selling of currencies, changes in interest rates, restrictions on capital movements, or a “de-pegging” of one currency to another, could cause abrupt or long-term changes in relative currency values.

**Depository receipt risk** Depository receipts are certificates that represent shares in companies trading outside the markets in which the depository receipts are traded. These certificates are held on deposits by financial institutions. Besides usual risks of equities, they carry illiquid securities and counterparty risks.

Depository receipts, such as American Depositary Receipts (ADRs), European Depositary Receipts (EDRs) and participatory notes, can trade below the value of their underlying securities. Owners of depository receipts may lack some of the rights (such as voting rights) they would have if they owned the underlying securities directly. Some of above instruments may create additional counterparty risks. Depository receipts are also subject to the risks of the underlying securities.

**Derivatives risk** Small movements in the value of an underlying asset can create large changes in the value of a derivative, making derivatives highly volatile in general and exposing the fund to potential losses significantly greater than the cost of the derivative.

Derivatives are complex investments that are subject to the risks of the underlying asset(s) – typically in modified and greatly amplified form – as well as their own risks. Some of the main risks of derivatives are:

- the pricing and volatility of some derivatives, in particular credit default swaps and collateralised debt obligations, may diverge from the pricing or volatility of their underlying reference(s), sometimes greatly and unpredictably
- liquidity risks as, in difficult market conditions, it may be impossible or infeasible to properly value a derivative or to place orders that would limit or offset the market exposure or financial losses created by some derivatives
- derivatives involve costs that the fund would not otherwise incur
- the behaviour of a derivative may be difficult to predict, especially in unusual market conditions; this risk is greater for newer, more unusual, or more complex types of derivatives, and may require investment techniques, risk analysis and control mechanisms that are different from those used for standard securities and are more complex
- changes in tax, accounting, or securities laws, or decreased liquidity, increased cost of hedging, publication of a successor index, or adjustments or modifications to the index, could cause the value of a derivative to fall or could force the fund

to terminate a derivative position under disadvantageous circumstances

- some derivatives, in particular futures, options, total return swaps, contracts for difference and some contingent liability contracts, could involve margin borrowing, meaning that the fund could be forced to choose between liquidating securities to meet a margin call or taking a loss on a position that might, if held longer, have yielded a smaller loss or a gain
- some derivatives, in particular coupon swaps, agency swaps, and term swaps attached to securitised instruments, could entail higher credit and investment (spread) risks
- counterparty risks
- risk of not being able to exercise certain rights attached to the underlying securities

**Exchange-traded derivatives** Trading in these derivatives or their underlying assets could be suspended or subject to limits. There is also a risk that settlement of these derivatives through a transfer system may not happen when or as expected. Due to this counterparty risk, a fund may not receive all of its assets back and its rights may differ depending on the law of the country in which the party is incorporated and the specific protections that party has put in place.

**OTC derivatives — non-cleared** Because OTC derivatives are in essence private agreements between a fund and one or more counterparties, they are less highly regulated than market-traded securities. They also carry greater counterparty and liquidity risks, and their pricing is more subjective, meaning that it can be especially difficult to value them properly in unusual market conditions.

If a counterparty ceases to offer a derivative that a fund had been planning on using, the fund may not be able to find a comparable derivative elsewhere and may miss an opportunity for gain or find itself unexpectedly exposed to risks or losses, including losses from a derivative position for which it was unable to buy an offsetting derivative.

Because it is generally impractical for the SICAV to divide its OTC derivative transactions among a wide variety of counterparties, a decline in the financial health of any one counterparty could cause significant losses. Conversely, if any fund experiences any financial weakness or fails to meet an obligation, counterparties could become unwilling to do business with the SICAV, which could leave the SICAV unable to operate efficiently and competitively.

**OTC derivatives – cleared** Because these derivatives are cleared on a trading platform, their liquidity risks are similar to those for exchange-traded derivatives. However, they still carry counterparty risk that is similar to non-cleared OTC derivatives.

**Emerging markets risk** Emerging or frontier markets are less established, and more volatile, than developed markets. They involve higher risks, particularly market, credit, illiquid security, counterparty, legal and currency risks, and are more likely to experience risks that in developed markets are associated with unusual market conditions.

Reasons for this higher level of risk include:

- political, economic or social instability
- economies that are heavily reliant on particular industries, commodities or trading partners
- uncontrolled inflation
- high or capricious tariffs or other forms of protectionism
- quotas, regulations, laws, restrictions on repatriation of monies, or other practices that place foreign investors (such as the fund) at a disadvantage
- expropriation of assets and/or confiscatory taxation
- changes in laws or regulations, or failure to enforce these, to provide fair or functioning mechanisms for resolving disputes or competing claims, or pursuing recourse, or to otherwise recognise the rights of investors as understood in developed markets
- a loss of approvals relating to the fund's operations in a market
- excessive fees, trading costs, taxation, or outright seizure of assets
- inadequate reserves to cover issuer or counterparty defaults
- incomplete, misleading, or inaccurate information about securities and their issuers
- non-standard or sub-standard accounting, auditing or financial reporting practices
- markets that are small and have low trading volumes, and consequently can be vulnerable to liquidity risk and to manipulation of market prices
- arbitrary delays and market closures

- less developed market infrastructure that is less tested, may suffer system failures or defects, and is unable to handle peak trading volumes
- lack the substance or financial resources of those in developed countries
- non-existent or limited or inadequate compensation schemes to meet the SICAV's claims in case of a dispute
- fraud, corruption and errors

In certain countries, securities markets may also suffer from impaired efficiency and liquidity, which may worsen price volatility and market disruptions.

For purposes of this prospectus, these risks apply to any country not classified as "high income" by the World Bank and any country (regardless of income level) included in a recognised emerging or frontier markets index. In practice, this means most countries in Asia, Africa, South America and Eastern Europe as well as countries such as China, Russia, India and Saudi Arabia that have large economies but may not offer the highest levels of investor protection.

**Equities risk** Equities can lose value rapidly, and typically involve higher market risks than bonds or money market instruments.

If a company goes through bankruptcy or a similar financial restructuring, its equities may lose most or all of their value.

The price of an equity varies according to supply and demand and market expectations about the company's future profitability, which may be driven by factors such as consumer demand, product innovation, actions of competitors, and how or whether a company chooses to address ESG factors.

**ESG/sustainability risk** An ESG event or condition could lower the fund's value.

Such risks are integrated into the investment decision making and risk monitoring to the extent that they represent potential or actual material risks and opportunities to maximising long-term risk-adjusted returns.

The impacts following the occurrence of an ESG risk may be numerous and vary depending on the specific risk, region and asset class. Such risks generally revolve around factors such as:

- climate change risks including both global warming driven by human emissions of greenhouse gases and the resulting large scale shifts in weather patterns; risks associated with climate change include transition risks (policy changes, reputational impacts and shifts in market preferences, norms and technology) and physical risks (physical impacts of climate change such as droughts, floods or thawing ground)
- natural resources risks including rising costs from resource scarcity or resource usage taxes and systemic risks from biodiversity loss
- pollution and waste risks including liabilities associated with contamination and waste management costs
- human capital risks including declining employee productivity, attrition and turnover costs, pandemics and supply chain reputational risks or disruption
- community risk factors including loss of license to operate, operational disruptions caused by protests or boycotts, and systematic inequality and instability
- security and safety risks such as consumer security, data privacy and security

In general, where an ESG risk occurs in respect of an asset, there could be a negative impact on, or entire loss of, its value. Such a decrease in the value of an asset may occur for a company in which a fund invests as a result of damage to its reputation resulting in a consequential fall in demand for its products or services, loss of key personnel, exclusion from potential business opportunities, increased costs of doing business and increased cost of capital. A company may also suffer the impact of fines and other regulatory sanctions. The time and resources of the company's management team may be diverted from furthering its business into dealing with the ESG risk event, including changes to business practices and dealing with investigations and litigation. ESG risk events may also give rise to loss of assets and physical loss including damage to real estate and infrastructure. The utility and value of assets held by companies to which the relevant fund is exposed may also be adversely impacted by an ESG risk event.

An ESG risk trend may arise and impact a specific investment or may have a broader impact on an economic sector such as IT or health care, geography such as emerging markets, or political region or country.

**Eurozone** In light of ongoing concerns on the sovereign debt risk of certain countries within the Eurozone, the fund's investments in the region may be subject to higher volatility, liquidity, currency and default risks. Any adverse events, such as credit downgrade of a sovereign or exit of EU members from the Eurozone, may have a negative impact on the value of the fund.

**Hedging risk** Any attempts to use hedging to reduce or eliminate certain risks may not work as intended, and to the extent that they do work, they will generally eliminate potentials for gain along with risks of loss.

The fund may use hedging with respect to any designated share classes, to hedge the currency exposure of the share class. Hedging involves costs, which reduce investment performance. With any share class that involves hedging both at the fund level and the share class level, there will be two layers of costs; furthermore, at times the hedge may be at cross purposes (for example, at the fund level, a fund may hedge SGD-denominated assets to EUR, while an SGD-hedged share class of this fund would then reverse that hedge).

At times, and particularly in emerging or frontier markets, it may be impractical or economically unfeasible for the fund or a share class to enter into hedging positions, leaving it exposed to currency risk.

**Illiquid securities risk** Certain securities may, by nature, be hard to value or sell at a desired time and price, especially in any quantity.

This may include securities that are generally considered to be illiquid, such as unlisted securities (which do not trade on a stock exchange), Rule 144A securities and securities that represent a small issue, trade infrequently, or are traded on markets that are comparatively small or have long settlement times. Costs of liquidating illiquid securities are often higher as well.

**Inflation-linked security risk** If inflation falls or remains low, the yields on short-term inflation-linked securities will fall or remain low.

**Inflation/deflation risk** Over time, the growth of low-risk investments may not keep pace with inflation, resulting in a loss of purchasing power. Low or negative inflation (deflation) could lead to low or negative yields on short-term securities.

**Infrastructure risk** Infrastructure-related companies are subject to a variety of factors that may adversely affect their business such as high interest costs in connection with capital-intensive construction projects, difficulty in raising capital in adequate amounts on reasonable terms in periods of high inflation and unsettled capital markets, and changes in environmental and other regulations.

Other factors that may affect the operations of infrastructure-related companies include innovations in technology that could render the way in which a company delivers a product or service obsolete, significant changes to the number of ultimate end-users of a company's products, increased susceptibility to terrorist acts or political actions, risks of environmental damage due to a company's operations or an accident, and general changes in market sentiment towards infrastructure and utilities assets.

**Interest rate risk** When interest rates rise, bond values generally fall. This risk is generally greater the longer the duration of a bond investment.

For bank deposits and for money market instruments and other short-maturity investments, interest rate risk works in the opposite direction: falling interest rates can be expected to cause investment yields to fall.

Very low or negative interest rates can mean that the fund's ownership of a bond effectively requires the fund to pay interest to the issuer rather than to receive income.

**Investment fund risk** As with any investment fund, investing in the fund involves certain risks an investor would not face if investing in markets directly:

- the actions of other investors, in particular sudden large outflows of cash, could interfere with orderly management of the fund and cause its NAV to fall

- the fund is subject to various investment laws and regulations that limit the use of certain securities and investment techniques that might improve performance, and might be available to an investor through a different investment
- the fund may be modified, merged or closed at any time, which may not align well with the investor's preferences and may cause the investor to receive a compulsory redemption
- while Luxembourg law provides strong investor protections, they may be different or lesser in certain ways than what a shareholder might receive from a fund domiciled in their own jurisdiction or elsewhere
- to the extent that the fund invests in markets that are in different time zones from where the investment manager is located, it might not be able to react in a timely fashion to price movements that occur when the fund is not open for business
- changes in regulations worldwide and increased regulator scrutiny of financial services could limit opportunities or increase costs for the SICAV
- to the extent that the fund decides to invest, conduct operations, register, or distribute shares in a jurisdiction, it may be required to accept certain limitations that would affect all investors in the fund
- for fund shares that are not publicly traded, the only option for liquidation of shares is generally redemption, which is subject to any redemption policies and fees
- the SICAV may not always be able to hold a service provider fully responsible for any losses or lost opportunities arising from the service provider's actions
- because there is no segregation of liabilities between share classes, it may be impractical or impossible for different share classes to completely isolate their costs and risks from other share classes, including the costs of hedging at the share class level and the risk that creditors of one share class of a fund may attempt to seize assets of another share class to settle an obligation
- to the extent that the SICAV and its funds conduct business with affiliates of Morgan Stanley Group, and these affiliates do business with each other on behalf of the SICAV and its funds, conflicts of interest may be created (although to mitigate these, all such business dealings must be conducted on an arm's length basis, and all entities, and the individuals associated with them, are subject to strict fair dealing policies that prohibit profiting from inside information and showing favouritism)
- if an investment owned by any fund in the SICAV is found to be linked to an entity or individual who is associated with money laundering or financing of terrorism, or accused of serious misconduct, or if such an entity or individual is found to be a holder or beneficial owner of fund shares, any resulting reputation damage could cause a significant withdrawal of assets from any or all funds of the SICAV, which in turn could cause one or more funds to suspend processing of requests to sell shares
- to the extent the fund holds odd lots (quantities of equities that are less than 100 shares) the actual market value of the securities in the odd lots will be lower than a price quoted by an outside service

Where a fund invests in another UCITS or UCI, the above risks apply to the fund (and in turn indirectly to shareholders) as well as the following risks:

- the fund will have less direct knowledge of, and no control over, the decisions of the UCITS/UCIs' investment managers
- the fund could incur a second layer of investment fees, which would further erode any investment gains or increase any losses
- the fund could face liquidity risk in trying to unwind its investment in a UCITS/UCI

**Investment in other funds risk** The ability of a fund that invests in shares of an underlying fund or funds to achieve its investment objective may be directly related to the ability of the underlying fund or funds to meet their investment objectives. The fund is also exposed to the risks to which the underlying funds are exposed.

These risks may include liquidity risk where the ability of the fund to meet the liquidity requirements of its investment is directly linked to the ability of the underlying funds to meet their liquidity requirements.

Investing in other funds may also incur additional costs.

**Leverage risk** Because the fund uses warrants, derivatives, or securities lending to amplify its net exposure to certain markets, rates, or other financial reference sources, it may have above-average sensitivity to price changes in a reference source and above-average volatility.

Although leverage presents opportunities for increasing total investment return, it also has the potential to increase losses. Because a fund's expected level of leverage is an indicator and not a regulatory limit, leverage may be higher when interest rates are expected to change significantly, when credit spreads are expected to widen or tighten significantly, or when market volatility is very low. For this reason, levels stated in a fund description may not adequately reflect the fund's true risk profile.

**Management risk** The fund's investment managers could be wrong in their analysis of market or economic trends, their choice or design of any software models they use, their allocation of assets, or in other decisions regarding how the fund's assets will be invested.

This includes projections concerning industry, market, economic, demographic, or other trends, as well as the timing of investment decisions and the relative emphasis of different investments. In addition to missed opportunities for investment performance, unsuccessful management decisions can involve significant costs, such as the costs of transitioning to a new strategy or fund composition.

Strategies that involve active trading (typically defined as turnover of more than 100% a year) can incur high trading costs and also may generate a high degree of short-term capital gains, which may be taxable to shareholders.

Newly formed funds may use unproven strategies or techniques, and may be difficult for investors to evaluate because of a lack of operating history. In addition, both the volatility and the returns of a new fund can change as an increase in its assets requires a scale-up of strategy and methods.

**Market risk** Prices and yields of many securities can change frequently – sometimes with significant volatility – and can fall, based on a wide variety of factors.

Examples of these factors include:

- economic and political news, including distressed economic conditions, sovereign rating downgrades, default on public debt, changes in economic policy, election results, adverse developments in diplomatic relations, changes in international alliances and trade agreements, increased military tension, restrictions on the transfer of capital and changes in the industrial and financial outlook in general
- changes in technology and business practices
- changes in demographics, cultures and populations
- natural or human-caused disasters, including widespread diseases or epidemics
- weather and climate patterns
- scientific or investigative discoveries
- costs and availability of energy, commodities and natural resources

The effects of market risk can be immediate or gradual, short-term or long-term, narrow or broad. Diversification has the potential to reduce the effects of market risk but cannot eliminate them.

**Mortgage dollar roll risk** Mortgage dollar rolls involve ABS/MBS and derivatives risks, can also involve leverage risk, and in general are considered to carry above-average risk.

In a mortgage dollar roll, the fund sells a group of mortgage-backed securities (MBSs) accompanied by a contract to repurchase a comparable group of securities on a future date. The fund can earn interest on the cash from the sale. Unless the value of the MBSs received on the repurchase date is greater than the value of the MBSs sold plus the difference between the interest the MBSs would have paid and the interest the fund earned from the cash, the fund will lose money on the transaction.

**Prepayment and extension risk** Any unexpected behaviour in interest rates could hurt the performance of callable debt securities (securities whose issuers have the right to pay off the security's principal before the maturity date).

When interest rates fall, issuers tend to pay off these securities and re-issue new ones at lower interest rates. When this happens, the fund may have no alternative but to reinvest the money from these prepaid securities at a lower rate of interest (prepayment risk).

At the same time, when interest rates rise, borrowers tend not to prepay their low-interest mortgages. This can lock in the fund to receiving below-market yields until interest rates fall or the securities mature (extension risk). It can also mean that the fund must either sell the securities at a loss or forgo the opportunity to make other investments that may turn out to have performed better.

The prices and yields of callable securities typically reflect the assumption that they will be paid off at a certain point before maturity. If this prepayment happens when expected, the fund generally will not suffer any adverse effects. However, if it happens substantially earlier or later than expected, it can mean that the fund effectively overpaid for the securities.

These factors can also affect the fund's duration, increasing or decreasing sensitivity to interest rates in undesired ways. In some circumstances, the failure of rates to rise or fall when anticipated could cause prepayment or extension risks as well.

**Real estate investment risk** Real estate investment trusts (REITs) and real estate investment companies (REOCs) invest directly in physical real estate or related businesses, tend to have above average volatility, and can be hurt by any factor that makes an area or individual property less valuable or by mortgage-related risks.

Specifically, investments in real estate holdings or related businesses or securities (including interests in mortgages) can be hurt by natural disasters, economic declines, oversupply of inventory, rising or unanticipated expenses, zoning changes, tax increases, aggressive price competition, population or lifestyle trends, failures of management, difficulty attracting tenants or collecting payments, environmental contamination and other factors that may affect the market value or cash flow of the investment, including the failure of a REIT to qualify for tax-free pass-through of income.

Equity REITs are most directly affected by real estate factors, while mortgage REITs are more vulnerable to interest rate risk and credit risk (typically declines in the creditworthiness of the mortgage holders).

Many REITs are in effect small corporations and carry small- and mid-cap equity risk. Some are highly leveraged, which increases volatility. The value of real estate-related securities does not necessarily track the value of the underlying assets.

**Short position risk** Taking a short position (a position whose value moves in the opposite direction from the value of the security itself) through derivatives creates losses when the underlying security's value rises. The use of short positions may increase the risk of both loss and volatility.

Potential losses from using short position are theoretically unlimited, as there is no restriction on the price to which a security may rise, whereas the loss from a cash investment in the security cannot exceed the amount invested.

The short selling of investments may be subject to changes in regulations, which could create losses or the inability to continue using short positions as intended or at all.

**Small- and mid-cap equity risk** Equities of small and mid-size companies can be more volatile and less liquid than those of larger companies.

Small and mid-size companies often have fewer financial resources, shorter operating histories and less diverse business lines, and as a result can be at greater risk of long-term or permanent business setbacks.

Initial public offerings (IPOs) can be highly volatile and can be hard to evaluate because of a lack of trading history and relative lack of public information.

**Special purpose acquisition company (SPAC) risk** In addition to small- and mid-cap equity risk and illiquid security risk, special purpose acquisition companies (SPACs) may fail to make an acquisition before their dissolution deadline or may make a suboptimal acquisition in order to avoid dissolution.

A SPAC is a public company formed with the goal of identifying and purchasing (or merging with) a non-public company, in effect bringing that company public. The way SPACs are structured means that the interests of a SPAC's issuers are in some cases contrary to those of SPAC investors. If the SPAC fails to complete an acquisition in the limited amount of time allowed, it typically must return the investors' money with interest, creating a loss for the issuer. With the approval of a majority of shareholders, a SPAC typically may extend its deadline, but this increases the issuer's risk of losses from higher interest costs should the SPAC prove unable to make an acquisition by the new deadline. In contrast, the issuer is likely to realise a significant gain from the SPAC completes an acquisition, even if the SPAC subsequently performs poorly.

Because a SPAC has no prior operating history to disclose when it issues its shares, investors have no way of knowing in advance the past, current or likely future financial performance of the company to be acquired. The SPAC structure itself is comparatively new, and the performance of a SPAC is more highly dependent on the good faith of the issuer than most other types of equities.

SPACs have many of the risks of initial public offerings (IPOs). They carry a distinct risk of above-average volatility, and may fluctuate significantly over short periods of time. Although some SPACs may produce high returns, such returns are not typical and may not be sustainable. Bonds issued by SPACs may or may not be secured by any assets or revenue streams and may be of any credit quality.

**Swaps risk** Swaps, especially those whose value is linked to one or more indexes, can be affected by market risks as well as other risks, such as regulation, changes in market customs, or suspension of one or more companies in the index.

Swaps can also be affected by changes an index sponsor makes, such as changes to the index design or calculation methodology or other adjustment, suspension, termination, or non-publication of the index. These changes may happen suddenly and without notice. The index provider has sole decision-making authority over such matters, and the fund would therefore usually have no recourse with respect to the provider's decisions and any negative impacts of them. As a result, the approved counterparty or the calculation agent may, in good faith, reduce the value of the swaps held by a fund.

Because the swaps are a derivative, they are a contract between two parties whose value is based on an index or other reference value. They do not represent ownership, either for the fund or any shareholder, of any underlying asset or any other rights to a cash payment from the contract counterparty.

The return payable under a swap agreement may also be subject to the credit risk of an approved counterparty.

**Volatility strategies risk** To the extent the fund takes positions in volatility-based assets that are not fully hedged, these positions may increase its overall volatility, or may reduce volatility and thus reduce the benefit to the fund of an increase in its main market exposures.

The value of a volatility-based asset may at times diverge from that of its underlying reference (whether equities markets, commodity prices, interest rates or another reference), and in particular can fluctuate more extremely than the underlying reference during periods when that reference is highly volatile. Volatility assets also involve derivatives risk.

## Risks typically associated with unusual conditions or other unpredictable events

*Risks included in this section tend to have a material effect on NAV only infrequently. During unusual conditions (in particular market, economic, and political conditions), however, these risks can be among the most serious.*

**Circumstantial liquidity risk** Any security could temporarily become hard to value or to sell at a desired time and price. Circumstantial liquidity risk could affect the fund's value and delay the processing of transactions in fund shares or payment of sale proceeds.

Circumstantial liquidity risk could also affect the fund's ability to honour its obligations to its trading partners (including other funds) or to other financial institutions.

Securities lending can create liquidity risk to the extent that they lock in positions for a period of time.

**Counterparty and collateral risk** An entity with which the fund does business, including any entity with temporary or long-term custody of fund assets, could become unwilling or unable to meet its obligations to the fund.

If a counterparty, including a custodian or a depository, becomes bankrupt, the fund could lose some or all of its money and could experience liquidity and operational risk, such as delays in getting back securities or cash that were in the possession of the counterparty (including those provided to a counterparty as collateral for securities lending). This could mean the fund is unable to sell the securities or receive the income from them during the period in which it seeks to enforce its rights, which process itself

is likely to create additional costs. In addition, the value of the securities could fall during the period of delay. Counterparty risk is greater for counterparties with weaker creditworthiness.

Because cash deposits are subject to lesser asset segregation or protection rules than most other assets, they could be at greater risk in the event of bankruptcy of the depository or a sub-custodian.

In case a depository has no correspondent in a country where a fund invests, it has to identify and appoint a local custodian after due diligence. This process may take time and deprive in the meantime a fund of investment opportunities. In the same manner, the depository assesses on an ongoing basis the custody risk of the country where a fund's assets are safe-kept. The depository may identify from time to time a custody risk in a jurisdiction and recommends to the management company to realise the investments immediately. In doing so, the price at which such assets are sold may be lower than the price the fund would have received in normal circumstances, potentially affecting its performance.

Because counterparties are not liable for losses caused by a "force majeure" event (such as a serious natural or human-caused disaster, riot, terrorist act or war), such an event could cause significant losses with respect to any contractual arrangement involving the fund. A bank or other credit institution could be forced to not honour its counterparty obligations if government authorities intervene in its operations in an effort to prevent or mitigate a financial crisis (such as is permitted under the EU Bank Recovery and Resolution Directive).

**Central securities depositories** In accordance with the 2010 Law, entrusting the custody of the SICAV's assets to the operator of a securities settlement system (SSS) is not considered as a delegation by the depository and the depository is exempted from the strict liability of restitution of assets. As the legal person that operates a SSS, a central securities depository cannot be considered as a delegate of the depository, irrespective of the fact that the custody of the SICAV's assets have been entrusted to it. There is however some uncertainty around the meaning to be given to such exemption, the scope of which may be interpreted narrowly by some supervisory authorities, notably the European supervisory authorities.

**Collateral** The value of collateral held by the fund, including cash collateral (whether reinvested or not), might not cover the full value of a transaction, and might not cover any fees or returns owed to the fund. If any collateral the fund holds as protection against counterparty risk (including assets in which cash collateral has been invested) declines in value, it may not fully protect the fund against losses. Difficulties in selling collateral may delay or restrict the ability of the fund to meet sell requests. In the case of securities lending, the collateral held could yield less income than the assets transferred to the counterparty. While in most cases the fund uses industry standard agreements with respect to all collateral, in some jurisdictions even these agreements might prove to be difficult or impossible to enforce.

A fund may also incur a loss in reinvesting cash collateral received, where permitted. Such a loss may arise due to a decline in the value of the investments made. A decline in the value of such investments would reduce the amount of collateral available to be returned by the fund to the counterparty as required by the terms of the transaction. The fund would be required to cover the difference in value between the collateral originally received and the amount available to be returned to the counterparty, thereby resulting in a loss for the fund.

**Securities techniques** For securities lending transactions, the most notable risks are that the borrower may fail to return the securities lent out in a timely manner, and, during such delay, the value of the collateral may fall below the value of the securities lent out, which would create a loss for the fund that lent securities.

The funds may enter into securities lending transactions with counterparties that are affiliated to their investment managers. Affiliated counterparties, if any, will perform their obligations in a commercially reasonable manner. In addition, the investment manager

will select counterparties and enter into transactions in accordance with best execution principles. However, investors should be aware that the investment manager may face conflicts between its role and its own interests or that of affiliated counterparties.

**Default risk** The issuers of certain bonds could become unable to make payments on their bonds.

**Operational and cyber risk** The operations of the fund could be subject to human error, faulty processes or governance, and technological failures, including the failure to prevent or detect cyberattacks, data theft, sabotage or other electronic incidents.

Operational risks may subject the fund to errors affecting valuation, pricing, accounting, tax or financial reporting, custody and trading, among other things. Operational risks may go undetected for long periods of time, and even if they are detected it may prove impractical to recover prompt or adequate compensation from those responsible.

The valuation of certain securities may be particularly challenging as they are based on multiple parameters, such as security quality, maturity, coupons or research evaluations, including broker-dealer market price quotations in determining what it believes is a fair valuation. Pricing services generally value securities assuming orderly transactions of an institutional round lot size, but the funds may also hold or transact in such securities in smaller, odd lot sizes (odd lots). Odd lots often trade at lower prices than institutional round lots.

The methods used by cyber criminals evolve rapidly, and reliable defences may not always be available. To the extent that the SICAV's data is stored or transmitted on the systems of multiple entities, using technology of multiple vendors, its vulnerability to cyber risk increases. Possible results of cybersecurity breaches or improper access include loss of investor personal data or proprietary information about fund management, regulatory intervention and sufficient business or reputation damage to create financial implications for investors.

**Sanctions risk** Any sanctions, tariffs, boycotts or other political or economic restrictions could cause fund assets to decline sharply in value or become illiquid or volatile, could compel the fund to sell assets under disadvantageous circumstances, or could deprive the fund of desirable investment opportunities.

This risk applies to any defensive, punitive or retaliatory action taken by any entity (such as a government, supranational organisation, corporation or non-state entity) or group of entities against any other entity or group. The effects on the fund could be transient or enduring, and could include situations where the fund is temporarily or permanently unable to access some or all of its assets.

The SICAV, the management company, the depository and investment managers have standing sanction policies with respect to current and anticipated situations, but may add or modify these policies as needed without shareholder notice or approval. The SICAV's response to any sanctions or similar actions must comply with applicable law and regulation (such as those of jurisdictions in which the fund invests or is distributed), and its abilities to anticipate or respond to sanctions or similar actions may be limited and may prove to be ineffective or counterproductive.

The sanctions policies may involve protective or preventive measures beyond what is required by law or regulation, which could create negative impacts that might otherwise not have occurred.

**Standard practices risk** Investment management practices that have worked well in the past, or are accepted ways of addressing certain conditions, could prove ineffective.

**Tax change risk** Any country could also change its tax laws or treaties in ways that affect the fund or its shareholders.

Tax changes potentially could be retroactive and could affect investors with no direct investment in the country.

# Credit Policies

For bonds of all types and credit qualities, and for money market instruments, the management company assesses credit quality at the security or issuer level, at the time of a security's purchase, using ratings from S&P, Moody's, Fitch and/or its own internal credit assessment.

With unrated bonds, the management company uses its internal credit assessment alone.

Except otherwise indicated, credit ratings mentioned in "Fund Descriptions" refer to the S&P scoring system or any combination of S&P, Moody's and Fitch scoring systems.

# Benchmark Usages

The usages stated in "Fund Descriptions" have the following meanings:

- **Geographic allocation indication** An index used for providing context with regard to the geographic origin for portfolio companies.
- **Performance comparison** An index for providing context for the fund's financial performance.
- **Portfolio design indication** An index used for providing context for the fund's investment universe in general.
- **Sustainability indicator comparison** An index used for providing context for the fund's performance with regard to certain sustainability indicators, such as carbon footprint comparison, sustainability scoring or board gender diversity. Used

only when the fund specifies that the sustainability indicator is being measured against a benchmark.

- **Tracking** Used for measuring any differences between the fund and its benchmark and, within the meaning of the Benchmarks Regulation, only when the fund seeks to replicate both the composition and the performance of the benchmark (passive investment strategy).
- **Volatility comparison** An index for providing context for the fund's risk adjusted performance.

Indices that do not take into account ESG criteria are standard market indices.

Unless specified otherwise, the use of a benchmark by a fund is not to be construed within the meaning of the Benchmarks Regulation.

# Sustainable Investing

## Sustainability terms with specific meanings

The terms below have the following meanings in this prospectus.

**ESG** Environmental, social or governance.

**EU Taxonomy** The EU official classification of economic activities that contribute to an environmental objective, such as climate change mitigation and adaptation, water protection, circular economy, pollution prevention and biodiversity protection.

**GHG** Greenhouse gas, such as carbon dioxide (CO<sub>2</sub>), methane (CH<sub>4</sub>), nitrous oxide (N<sub>2</sub>O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs) and sulphur hexafluoride (SF<sub>6</sub>).

**ILO Fundamental Principles** International Labour Organisation initiative to promote fair labour standards.

**OECD Guidelines for Multinational Enterprises** A set of recommendations from governments to multinational enterprises on how to do business sustainably and responsibly.

**Paris Agreement** An international treaty on climate change that aims to reduce greenhouse gas emissions and limit the rise of temperature to 1.5 degrees Celsius globally.

**SFDR** Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector.

**SFDR website disclosure** ESG-related disclosure according to Article 10 of SFDR.

**sustainability bond** Bond labelled as green, social or sustainability, designed to finance specific environmental or social objectives, including but not limited to bonds aligned with the International Capital Market Association (ICMA)'s Green Bond Principles, Social Bond Principles, and Sustainability Bond Guidelines.

**sustainability annex** The annex prepared for each fund which is subject to the requirements of article 8 or article 9 of the SFDR, containing pre-contractual disclosures under this regulation.

**UN Global Compact** A United Nations initiative to encourage businesses worldwide to adopt sustainable and socially responsible policies, and to report on their implementation.

**UN Guiding Principles** A set of guidelines for states and companies to prevent, address and remedy human rights abuses committed in business operations.

## At the SICAV level

The board of the SICAV, through the delegation of portfolio management to the management company, believes that it must serve shareholders' interests by providing investment solutions that deliver long-term competitive performance. Morgan Stanley

Investment Management's (MSIM) approach to sustainable investing forms part of this duty. The management company has adopted MSIM's sustainable investing policy.

MSIM comprises of several investment teams and asset class platforms that invest independently from each other. The specific approach to sustainability taken by any investment team depends on multiple factors, such as the objective and investment policy of the fund, main asset classes, investment strategies and investment time horizon. Investment teams use their skills and judgment in assessing the materiality of ESG-related risks and opportunities as appropriate for each investment strategy. Note that the investment teams use a range of proprietary and third party data, scoring methods and research that might not be complete, consistent or accurate.

The SICAV and the management company prohibit investments in companies that are involved in cluster munitions and explosive sub-munitions.

For more complete information, go to the full MSIM's [sustainable investing policy](#).

## At the fund level

**Sustainability risks** Under SFDR, the funds are required to disclose the manner in which sustainability risks (also referred to as ESG risks in this document) are integrated into the investment decisions and the results of the assessment of the likely impacts of sustainability risks on the returns of the funds. The management company recognises that various sustainability risks could threaten the investments at individual asset level and portfolio level. See "ESG/sustainability risk" on page 171 for more information.

Except when indicated otherwise in "Fund Descriptions", the funds conduct an assessment of relevant sustainability risks. These risks may vary depending on the funds' exposure in relation to issuers, asset classes, markets or geographic exposure. The management company or the investment manager, as the case may be, is responsible for the incorporation of materially relevant sustainability risks into due diligence and research, valuation, asset selection, portfolio construction, and ongoing investment monitoring alongside with other material risk factors. It is not anticipated that any single sustainability risk will drive a material negative financial impact on the value of a fund. Where sustainability risks are deemed not to be relevant, the funds will include the reason under "Fund Descriptions".

**Sector and norms-based exclusions** The sector exclusions applied by the funds are listed in "Fund Descriptions". MSIM's investment teams may apply additional investment restrictions over time that it believes are consistent with the fund's investment objectives.

Based on ESG ratings and monitoring of compliance with international norms, such as the UN Global Compact, the ILO Fundamental Principles and the OECD Guidelines for Multinational Enterprises, MSIM's investment teams for funds with such exclusion policies typically exclude issuers associated with the most controversial practices or severe incidents.

**ESG monitoring** The investment process is subject to regular review, as part of a control and monitoring framework implemented by the investment manager. The investment manager's compliance, risk and portfolio surveillance teams collaborate with the investment teams to conduct regular portfolio/performance reviews and systemic checks to ensure compliance with portfolio investment objectives, taking into account changing market conditions, information and strategy developments.

**ESG data** In some cases, data on specific issuers, ESG themes or exclusions might not be available or may be estimated by data providers or a MSIM's investment team using internal methodologies or reasonable estimates. The methodologies used by different data providers may also vary and may result in different outcomes.

## SFDR product categorisation at a glance

Equity Funds		Article	Parametric Global Defensive Equity Fund		6	Global Asset Backed Securities Fund		8
American Resilience Fund	8		Saudi Equity Fund	6		Global Bond Fund	8	
Asia Opportunity Fund	8		Sustainable Asia Equity Fund	8		Global Convertible Bond Fund	8	
Asian Property Fund	8		Sustainable Emerging Markets Equity Fund	8		Global Credit Fund	8	
Calvert Global Equity Fund	8		Tailwinds Fund	8		Global Credit Opportunities Fund	8	
Calvert Sustainable Climate Aligned Fund	9		US Advantage Fund	8		Global Fixed Income Opportunities Fund	8	
Calvert Sustainable Climate Transition Fund	9		US Core Equity Fund	6		Global High Yield Bond Fund	8	
Calvert Sustainable Developed Europe Equity Select Fund	9		US Focus Property Fund	8		Global Macro Fund	6	
Calvert Sustainable Developed Markets Equity Select Fund	9		US Growth Fund	8		Short Duration US Government Income Fund	6	
Calvert Sustainable Diversity, Equity and Inclusion Fund	9		US Insight Fund	8		Short Maturity Euro Bond Fund	8	
Calvert Sustainable Emerging Markets Equity Select Fund	9		US Permanence Fund	8		Short Maturity Euro Corporate Bond Fund	8	
Calvert Sustainable US Equity Select Fund	9		US Property Fund	8		Sustainable Euro Corporate Bond Fund	8	
Calvert US Equity Fund	8		US Value Fund	8		Sustainable Euro Strategic Bond Fund	8	
China A-Shares Fund	6		Vitality Fund	8		US Dollar Corporate Bond Fund	8	
Counterpoint Global Fund	8					US Dollar Short Duration Bond Fund	8	
Developing Opportunity Fund	8		<b>Bonds Funds</b>	<b>Article</b>		US Dollar Short Duration High Yield Bond Fund	8	
Emerging Leaders Equity Fund	8		Calvert Global High Yield Bond Fund	8		US High Yield Bond Fund	8	
Europe Opportunity Fund	8		Calvert Sustainable Global Green Bond Fund	9		US High Yield Middle Market Bond Fund	8	
European Property Fund	8		Emerging Markets Corporate Debt Fund	8				
Global Brands Equity Income Fund	8		Emerging Markets Debt Fund	8		<b>Asset Allocation Funds</b>	<b>Article</b>	
Global Brands Fund	8		Emerging Markets Debt Opportunities Fund	8		Global Balanced Defensive Fund	6	
Global Core Equity Fund	6		Emerging Markets Domestic Debt Fund	8		Global Balanced Fund	8	
Global Endurance Fund	8		Emerging Markets Fixed Income Opportunities Fund	8		Global Balanced Income Fund	8	
Global Focus Property Fund	8		Emerging Markets Local Income Fund	8		Global Balanced Risk Control Fund of Funds	6	
Global Infrastructure Fund	8		Euro Bond Fund	8		Global Balanced Sustainable Fund	8	
Global Opportunity Fund	8		Euro Corporate Bond Fund	8				
Global Permanence Fund	8		Euro Corporate Bond – Duration Hedged Fund	8		<b>Alternative Investment Funds</b>	<b>Article</b>	
Global Property Fund	8		Euro Strategic Bond Fund	8		Parametric Commodity Fund	6	
Global Quality Fund	8		European Fixed Income Opportunities Fund	8		Systematic Liquid Alpha Fund	6	
Global Sustain Fund	8		European High Yield Bond Fund	8				
Indian Equity Fund	6		Floating Rate ABS Fund	8				
International Resilience Fund	6		Global Asset Backed Securities Focused Fund	8				
Japanese Equity Fund	8							
Japanese Small Cap Equity Fund	6							
NextGen Emerging Markets Fund	8							



# General Investment Powers and Restrictions

Each fund, and the SICAV itself, must comply with all applicable EU and Luxembourg laws and regulations, as well as certain circulars, guidelines and other requirements. Each fund must also comply with further restrictions as may be required by the regulatory authorities in the countries in which they are marketed. This section presents, in tabular form, the fund management requirements of the 2010 law (the main law governing the operation of a UCITS) as well as the requirements set by the European Securities and Markets Authority (ESMA) for risk monitoring and management. In case of any discrepancy, the law itself, in the original French, would prevail over the articles, and the articles over the prospectus.

The investment manager must immediately remedy any violation of the 2010 law by a fund that was created by an investment action. Any incidental violation must, once detected, be brought into compliance with the relevant policies as a priority in securities trades and investment management decisions, while also taking due account of the interests of shareholders.

Except where noted, all percentages and restrictions apply to each fund individually, and all asset percentages are measured as a percentage of total net assets (including cash).

## Permitted assets, techniques and transactions

The table below describes what is allowable to any UCITS. The funds may set limits that are more restrictive in one way or another, based on their investment objectives and policies. A fund's usage of any asset, technique or transaction must be consistent with its investment policies and restrictions.

No fund can acquire assets that come with unlimited liability attached, underwrite securities of other issuers (other than if it may be considered to do so in the course of disposing of fund securities), or issue warrants or other rights to buy their shares.

The SICAV may not grant credit facilities nor act as guarantor on behalf of third parties, provided that, for the purpose of this restriction, the acquisition (in fully or partly paid form) of transferable securities, money market instruments or other financial investments referred to in this table and the permitted lending of portfolio securities will not be deemed as making of a loan.

Security/Transaction	Requirements		Usage by funds
<b>1. Transferable securities and money market instruments</b>	Must be listed or traded on an official stock exchange in an eligible state, or on a regulated market in an eligible state (a market that operates regularly, is recognised, and is open to the public).	Recently issued securities must include in their terms of issue a commitment to apply for official listing on a regulated market and such admission must be received within 12 months of issue.  In the interest of its shareholders, a fund may exercise the subscription rights attached to equity securities that form part of its assets.	Widely used. Material usage is described in "Fund Descriptions".
<b>2. Money market instruments (under Article 1 of the law) that do not meet the requirements in row 1<sup>1</sup></b>	Must be subject (at the securities or issuer level) to regulation aimed at protecting investors and savings and must meet one of the following: <ul style="list-style-type: none"> <li>• be issued or guaranteed by a central, regional or local authority, or a central bank of an EU member state, the European Central Bank, the European Investment Bank, the EU, a public international body to which at least one EU member state belongs, a sovereign nation or a member state of a federation</li> <li>• be issued by an undertaking of any securities that qualify under row 1 (with exception of recently issued securities)</li> <li>• be issued or guaranteed by an institution that is subject to, and complies with, EU prudential supervision rules or other rules the CSSF considers to be at least as stringent</li> </ul>	Can also qualify if the issuer belongs to a category approved by the CSSF, is subject to investor protections that are equivalent to those described directly at left, and meets one of the following criteria: <ul style="list-style-type: none"> <li>• is issued by a company with at least EUR 10 million in capital and reserves that publishes annual accounts consistent with Directive 78/660/EEC</li> <li>• is issued by an entity dedicated to financing a group of companies at least one of which is publicly listed</li> <li>• is issued by an entity dedicated to financing securitisation vehicles that benefit from a banking liquidity line</li> </ul>	Widely used and may be used extensively for treasury or temporary defensive purposes. Material usage under ordinary market conditions is described in "Fund Descriptions".
<b>3. Transferable securities and money market instruments that do not meet the requirements in rows 1 and 2</b>	<ul style="list-style-type: none"> <li>• Limited to 10% of a fund's net assets.</li> </ul>		Any usage likely to create material risk is described in "Fund Descriptions".
<b>4. Shares of UCITS or other UCIs<sup>2</sup> (including ETFs) that are not linked to the SICAV<sup>1,3</sup></b>	Must be limited by constitutional documents to investing no more than 10% of a fund's net assets in other UCITS or other UCIs, unless indicated otherwise in the investment policy and/or the fund's denomination includes the term "fund of funds". If the target investment is an "other UCI", it must: <ul style="list-style-type: none"> <li>• invest in UCITS-allowable investments</li> <li>• be authorised by an EU member state or by a state the CSSF considers to have equivalent</li> </ul>	laws on supervision, with adequate cooperation between authorities sufficiently ensured <ul style="list-style-type: none"> <li>• issue annual and semi-annual reports that enable an assessment of assets, liabilities, income and operations over the reporting period</li> <li>• offer investor protections that are equivalent to those of a UCITS, in particular as to the rules on asset segregation, borrowing, lending and uncovered sales</li> </ul>	Any usage that is over 10% of a fund's net assets, or likely to create material risk, is disclosed in "Fund Descriptions". Money market funds may be used extensively for treasury or temporary defensive purposes. <sup>1</sup>
<b>5. Shares of UCITS or other UCIs<sup>2</sup> (including ETFs) that are linked to the SICAV<sup>1,3</sup></b>	Must meet all requirements in row 4. The SICAV's annual report must state the total annual management and advisory fees charged both to the fund and to the UCITS/other UCIs in which the fund has invested during the relevant period.	The UCITS/other UCI cannot charge a fund any fees for buying or selling shares.	Same as row 4. Note that cumulated annual management fees charged to the fund will not exceed its annual management fee.
<b>6. Shares of other funds of the SICAV<sup>3</sup></b>	Must meet all requirements in rows 4 and 5. The target fund cannot invest, in turn, in the acquiring fund (reciprocal ownership).	The acquiring fund surrenders all voting rights in shares of the target fund it acquires. The shares do not count as assets of the acquiring fund for purposes of minimum asset thresholds imposed by the 2010 law.	Same as rows 4 and 5. Note that no fund is charged annual management or advisory fees by any other fund.
<b>7. Real estate and commodities, including precious metals</b>	Direct ownership of commodities, or certificates representing them, is prohibited. Investment exposure is allowed only indirectly, through assets, techniques and transactions, such as commodity-linked notes, commodity ETFs and derivatives referencing one or more commodity indices, allowed under the 2010 Law.	Direct ownership of real estate or other tangible property is prohibited except for what is directly necessary to conducting the SICAV's business.	Any usage likely to create material risk is disclosed in "Fund Descriptions".

Security/Transaction	Requirements		Usage by funds
<b>8. Deposits with credit institutions<sup>1</sup></b>	Deposits (with the exclusion of deposits at sight) that must be repayable or withdrawable on demand and that have a maturity date (if any) of maximum 12 months.	The credit institutions either must have a registered office in an EU member state or, if not, be subject to prudential supervision rules the CSSF considers to be at least as stringent as EU rules.	Commonly used by all funds, and may be used extensively for treasury or temporary defensive purposes.
<b>9. Ancillary liquid assets<sup>2</sup></b>	Deposits at sight that are accessible at any time. Limited to 20% of a fund's net assets.	In exceptionally unfavourable market conditions and for a period of time strictly necessary, this limit can be raised to 100% if strictly necessary and if consistent with the interests of investors.	Commonly used by all funds, and may be used extensively for treasury or temporary defensive purposes.
<b>10. Derivatives and equivalent cash-settled instruments</b>  <i>See also "How the Funds Use Instruments and Techniques" on page 181</i>	Underlying assets must be those described in rows 1, 2, 4, 5, 6 and 8 or must be financial indices, (compliant with article 9 of the Grand-Ducal Regulation of 8 February 2008) interest rates, foreign exchange rates or currencies consistent with fund investment objectives and policies.  All usage must be adequately captured by the risk management process described in "Management and monitoring of global risk exposure and uses of derivatives" below.	Over-the-counter (OTC) derivatives must meet all of the following criteria: <ul style="list-style-type: none"> <li>• be subject to reliable and verifiable independent daily valuations</li> <li>• be able to be sold, liquidated or closed by an offsetting transaction at their fair value at any time at the SICAV's initiative</li> <li>• be with counterparties that are institutions subject to prudential supervision and that belong to categories approved by the CSSF</li> </ul>	Material usage is described in "Fund Descriptions".
<b>11. Securities lending, repurchase agreements and reverse repurchase agreements</b>  <i>See also "How the Funds Use Instruments and Techniques" on page 181</i>	Must be used for efficient fund management only.  The volume of transactions must not interfere with a fund's pursuit of its investment policy or its ability to meet redemptions. With loans of securities and with repurchase transactions, the fund must ensure that it has sufficient assets to settle the transaction.  All counterparties must be subject to EU prudential supervision rules or to rules the CSSF considers to be at least as stringent.	A fund may lend securities: <ul style="list-style-type: none"> <li>• directly to a counterparty</li> <li>• through a lending system organised by a financial institution that specialises in this type of transaction</li> <li>• through a standardised lending system organised by a recognised clearing institution</li> </ul> For each transaction, the fund must receive and hold collateral that is at least equivalent, at all times during the lifetime of the transactions, to the full current value of the securities lent.  The SICAV cannot grant or guarantee any other type of loan to a third party.	Material usage is described in "Fund Descriptions".  No fund currently uses repurchase agreements and reverse repurchase agreements.  For securities lending, the funds require higher collateral than regulations specify (105% instead of 100% of a fund's net assets).
<b>12. Borrowing</b>	The SICAV is not allowed to borrow in principle except if it is on a temporary basis and represents no more than 10% of a fund's net assets.  The SICAV may however acquire for the account of a fund foreign currency by means of back-to-back loans.	Collateral arrangements with respect to the writing of options or the purchase or sale of forward or future contracts are not deemed to constitute "borrowings" for the purpose of this restriction.	Any fund may net between currencies it holds as permitted.
<b>13. Short sales</b>	Direct short sales are prohibited.	Short positions may be acquired only indirectly, through derivatives.	Any usage likely to create material risk is described in "Fund Descriptions".
<b>14. Shares of SPACs</b>	Must be listed or traded on an official stock exchange in an eligible state, or on a regulated market in an eligible state (a market that operates regularly, is recognised, and is open to the public).	Limited to maximum 10% of a fund's net assets, unless provided otherwise in a fund's investment policy.	Any usage likely to create material risk is described in "Fund Descriptions".

<sup>1</sup> Except when indicated otherwise in "Fund Descriptions", or their SFDR-related disclosures, all funds may hold cash equivalents up to 100% of their net assets in order to (i) achieve their investment goals, and/or for (ii) treasury purposes, and/or (iii) in case of unfavourable market conditions. Money market instruments include without limitation commercial papers, certificates of deposit and short term government bonds. All funds may also invest in short-term money market funds and money market funds as defined by CESR's Guidelines on a common definition of European money market funds dated 19 May 2010 (CESR/10-049) (Short-Term Money Market Funds and Money Market Funds). This may include investment in any funds of the Morgan Stanley Liquidity Funds or any other Short-Term Money Market Funds and Money Market Funds managed by the investment managers or any of the sub-investment managers.

<sup>2</sup> Within the meaning of Article 1(2), first and second indents of the UCITS Directive.

<sup>3</sup> A UCITS or other UCI is considered to be linked to the SICAV if both are managed or controlled by the same management company or another affiliated management company.

## Limits on concentration of ownership

These limits are intended to prevent the SICAV or a fund from the risks that could arise (for itself or an issuer) if it were to own a significant percentage of a given security or issuer. A fund does not need to comply with the investment limits described below when exercising subscription (purchase) rights attaching to transferable securities or money market instruments that form part of its assets, so long as any resulting violations of the investment restrictions are corrected as described in the introduction to "General Investment Powers and Restrictions".

Category of securities	Maximum ownership, as a % of the total value of the securities issued	
<b>Securities carrying voting rights</b>	Less than would enable the SICAV to exercise significant influence over the management of an issuer	<p>These rules do not apply to:</p> <ul style="list-style-type: none"> <li>• securities described in row A of the table below</li> <li>• shares of a non-EU company that invests mainly in its home country and represents the only way to invest in that country in accordance with the 2010 Law</li> <li>• purchases or repurchases of shares of subsidiaries that provide management, advice or marketing in their country, when done as a way of effecting transactions for SICAV shareholders in accordance with the 2010 Law</li> </ul> <p>These limits can be disregarded at purchase if at that time the gross amount of bonds or money market instruments, or the net amount of the instruments in issue, cannot be calculated.</p>
<b>Non-voting securities of any one issuer</b>	10%	
<b>Debt securities of any one issuer</b>	10%	
<b>Money market securities of any one issuer</b>	10%	
<b>Shares of any fund of an umbrella UCITS or UCI</b>	25%	

# Diversification requirements

To ensure diversification, a fund cannot invest more than a certain amount of its assets in one issuer, as defined below. These diversification rules do not apply during the first six months of a fund's operation, but the fund must observe the principle of risk spreading.

For purposes of this table, companies that share consolidated accounts (whether in accordance with Directive 83/349/EEC or with recognised international rules) are considered to be a single issuer. The percentage limits indicated by the vertical brackets in the centre of the table indicate the maximum aggregate investment in any single issuer for all bracketed rows.

Category of securities	Maximum investment/exposure, as a % of a fund's net assets		
	In any one issuer	Other	Exceptions
<b>A. Transferable securities and money market instruments issued or guaranteed by a sovereign nation, any EU public local authority, or any public international body to which one or more EU member states belongs.</b>	35%	35%	<p><b>A fund may invest up to 100% of its assets in a single issuer if it is investing in accordance with the principle of risk spreading and meets all of the following criteria:</b></p> <ul style="list-style-type: none"> <li>• it invests in at least six different issues</li> <li>• it invests no more than 30% in any one issue</li> <li>• the securities are issued by an EU member state, its local authorities or agencies, a member state of the OECD or of the G20, Hong Kong, Singapore or by a public international body to which one or more EU member state belongs</li> </ul> <p><b>The exception described for Row C applies to this row as well.</b></p>
<b>B. Bonds issued by a credit institution whose registered office is in an EU member state and which is subject by law to special public supervision designed to protect bondholders<sup>1,2</sup>.</b>	25%		
<b>C. Any transferable securities and money market instruments other than those described in rows A and B above.</b>	10%	20% in transferable securities and money market instruments within the same group. 40% in aggregate in all issuers in which a fund has invested more than 5% of its net assets (does not include deposits and OTC derivative contracts with financial institutions subject to prudential supervision and securities indicated in rows A and B).	For index-tracking funds, the 10% increases to 20% in the case of a published, sufficiently diversified index that is adequate as a benchmark for its market and is recognised by the CSSF. This 20% increases to 35% (but for one issuer only) in exceptional market conditions, such as when the security is highly dominant in the regulated market in which it trades.
<b>D. Deposits with credit institutions.</b>	20%	20%	
<b>E. OTC derivatives with a counterparty that is a credit institution as defined in row 8 above (first table in section).</b>	10% max risk exposure (OTC derivatives and efficient portfolio management techniques combined)		
<b>F. OTC derivatives with any other counterparty.</b>	5% max risk exposure		
<b>G. Shares of UCITS or UCIs as defined in rows 4 and 5 above (first table in section).</b>	<p>With no specific statement in the fund's objective and policies, 10% in one or more UCITS or other UCIs.</p> <p>With a specific statement:</p> <ul style="list-style-type: none"> <li>• 20% in anyone UCITS or UCI</li> <li>• 30% in aggregate in all UCIs other than UCITS</li> <li>• 100% in aggregate in all UCITS</li> </ul>	<p>Target funds of an umbrella structure whose assets and liabilities are segregated are considered as a separate UCITS or other UCI.</p> <p>Assets held by the UCITS or other UCIs do not count for purposes of complying with rows A - F of this table.</p>	

<sup>1</sup> These bonds also must invest all sums deriving from their issuance in assets that, for the life of the bonds, are capable of covering all claims attaching to the bonds and in case of issuer bankruptcy would be used, on a priority basis, to reimburse principal and accrued interest.

<sup>2</sup> These bonds may fall under the definition of covered bonds in point (1) of Article 3 of Directive (EU) 2019/2162 of the European Parliament and of the Council.

## Master and feeder funds

The SICAV can create one or more funds that qualify as a master fund or a feeder fund, or can designate any existing fund a master fund or a feeder fund. The rules below apply to any fund that is a feeder fund.

Security	Investment Requirements	Other terms and requirements
<b>Units of the master fund</b>	At least 85% of a fund's net assets.	The master fund cannot charge any fees for subscribing or redeeming shares/units. The master fund is neither a feeder fund nor hold units/shares of a feeder fund within the meaning of the 2010 Law.
<b>Derivatives and cash equivalents*</b>	Up to 15% of a fund's net assets.	Derivatives must only be used for hedging. In measuring derivatives exposure, the feeder fund must combine its own direct exposure with, in proportion to its investment, either the actual exposure created by the master fund or its maximum permitted exposure. The timing of NAV calculation and publication for the master fund and for the feeder fund must be coordinated in a way designed to prevent market timing and arbitrage between the two funds. A description of all remuneration and reimbursement of costs payable by the feeder fund by virtue of its investments in shares/units of the master fund, as well as the aggregate charges of both the feeder fund and the master fund, will be disclosed in the prospectus and the annual report.

\* Also includes movable and immovable property, which is allowed only if it is directly necessary to the SICAV's business.

## Management and monitoring of global risk exposure and uses of derivatives

The management company uses a risk management process, approved and supervised by its board, to monitor and measure at any time the overall risk profile of each fund from direct investment, derivatives, techniques (such as securities lending), collateral and all other sources. Global exposure assessments are calculated every dealing day (whether or not the fund calculates a NAV for that day), and encompass numerous factors, including coverage for contingent liabilities created by derivative positions, counterparty risk, foreseeable market movements and the time available to liquidate positions.

Any derivatives embedded in transferable securities or money market instruments count as derivatives held by the fund, and any exposure to transferable securities or money market instruments gained through derivatives (except certain index-based derivatives) counts as investment in those securities or instruments.

**Risk monitoring approaches** There are three main risk measurement approaches: the commitment approach and the two forms of value at risk (VaR), absolute VaR and relative VaR. These approaches are described below, and the approach each fund uses is identified in "Fund Descriptions". The management company chooses the approach a fund will use based on its investment policy and strategy.

Approach	Description
<b>Absolute Value-at-Risk (Absolute VaR)</b>	The VaR approach is a measure of the potential loss due to market risk. More particularly, the VaR approach measures the maximum potential loss at a given confidence level (probability) over a specific time period under normal market conditions. Absolute VaR is defined as the VaR of the UCITS capped as a percentage of NAV.
<b>Relative Value-at-Risk (Relative VaR)</b>	Relative VaR is defined as the VaR of the UCITS divided by the VaR of a benchmark or reference portfolio (i.e. a similar portfolio with no derivatives). This can be an actual benchmark portfolio (such as an index) or a fictitious benchmark portfolio. The VaR on the UCITS portfolio does not exceed twice the VaR on a comparable benchmark portfolio.
<b>Commitment</b>	The commitment conversion methodology for standard derivatives is the market value of the equivalent position in the underlying asset. This may be replaced by the notional value or the price of the futures contracts where this is more conservative. For non-standard derivatives, where it is not possible to convert the derivative into the market value or notional value of the equivalent underlying asset, an alternative approach may be used provided that the total amount of the derivatives represent a negligible portion of the UCITS portfolio.

**Gross leverage** Any fund that uses a VaR approach must also calculate its expected level of gross leverage, which is stated in "Fund Descriptions". A fund's expected gross leverage is a general indication, not a regulatory limit; the actual gross leverage may exceed the expected level from time to time. However, a fund's use of derivatives will remain consistent with its investment objective, investment policy and risk profile, and will comply with its VaR limit.

Gross leverage is a measure of the leverage created by total derivative usage and by any instruments or techniques used for efficient portfolio management. It is calculated as the "sum of the notionals" (the exposure of all derivatives, without treating opposing positions as cancelling each other out). Since this calculation considers neither sensitivity to market movements nor whether a derivative is increasing or decreasing a fund's overall risk, it may not be representative of a fund's actual level of investment risk.

## Financial indices

The funds may, in accordance with their investment policy and the investment restrictions, invest in derivatives based on financial indices that are eligible in accordance with article 9 of the Grand-Ducal Regulation of 8 February 2008.

To the extent consistent with the prevailing investment policy, the funds may obtain exposure, in the discretion of the investment manager, to indices that may not be named specifically in the investment policy, subject to compliance with the ESMA guidelines 2014/937 on ETF and other UCITS issues. In particular, the funds will not invest in financial derivative instruments based on financial indices with a daily or intra-day rebalancing frequency or in indices whose methodology for the selection and the re-balancing of their components is not based on a set of pre-determined rules and objective criteria.

# How the Funds Use Instruments and Techniques

## Legal and regulatory framework

A fund may use the following instruments and techniques consistent with the uses described below, with its objective and investment policy as described in “Fund Descriptions”, and with all applicable laws and regulatory requirements. Examples of such laws and requirements include the 2010 Law, the UCITS Directive, the Grand Ducal regulation of 8 February 2008, CSSF Circulars 08/356 and 14/592, ESMA guidelines 14/937, and the Securities Financing Transactions (SFT) Regulation (EU) 2015/2365. Each fund’s usage must not increase its risk profile beyond what it otherwise would have been.

The risks associated with instruments and techniques are described in “Risk Descriptions”. The main risks are derivatives risk (with respect to derivatives only), counterparty and collateral risk, leverage risk, liquidity risk, operational risk and the bullet on conflicts of interest found in the description of investment fund risk. Counterparty and collateral risk may be disregarded, both in risk management measurements and for purposes of investor assessments of risk, to the extent that a fund holds collateral that, even after applying haircut amounts consistent with those described below, the value of collateral equals or exceeds that of the exposure it is intended to offset.

## Derivatives

### Derivatives the funds can use

A derivative is a financial contract whose value depends on the performance of one of more reference assets (such as a security or basket of securities, an index, or an interest rate). The following are the most common derivatives (though not necessarily all derivatives) used by the funds:

*Core Derivatives – may be used by any fund, consistent with its investment policy*

- financial futures, such as futures on interest rates, indices or currencies
- conventional options, such as options on equities, interest rates, indices (including commodity indices), bonds or currencies
- options on futures
- rights and warrants
- forwards, such as foreign exchange contracts
- swaps (contracts where two parties exchange the returns from two different reference assets, such as foreign exchange or interest rate swaps, swaps on baskets of equities, coupon swaps, agency swaps or term swaps) but NOT including total return, credit default, commodity index, volatility or variance swaps

*Additional Derivatives – any intent to use will be disclosed in “Fund Descriptions”*

- credit derivatives, such as credit default swaps, or CDSs (contracts where one party receives a fee from the counterparty in exchange for agreeing that, in the event of a bankruptcy, default or other “credit event”, it will make payments to the counterparty designed to cover the latter’s losses)
- structured products that incorporate derivatives, such as credit- or equity-linked securities and securities linked to rates, commodities or volatility
- complex options
- total return swaps, or TRSs (transactions in which one counterparty makes payments based on a fixed or variable rate to the other counterparty, who transfers the total economic performance, including income from interest and fees, gains and losses from price movements, and credit losses, of a reference obligation, such as an equity, bond or index); this category includes contracts for difference (CFDs)
- mortgage dollar rolls (transactions whereby a fund sells MBS for delivery in the current month and simultaneously contracts to repurchase substantially similar — same type, coupon and maturity — MBS on a specified future date, which in addition to the MBS risk entails a leverage risk)

Derivatives are either exchange-traded or OTC (over the counter, meaning they are in effect private contracts between a fund and a counterparty). Options can be either (although the funds typically prefer exchange-traded), futures are generally exchange traded, all other derivatives are generally OTC. Note that the SICAV will only enter into OTC derivatives if it is allowed to liquidate such transactions at any time at fair value.

TRSs can be funded or unfunded (with or without a required up-front payment) and may be used to gain exposure to equities, fixed income securities and financial indices and their components, according to the investment policy of the fund.

The underlying exposures of derivatives must be taken into account for the compliance to fund investment restrictions.

For any index-linked derivatives, the index provider determines the rebalancing frequency and there is no cost to the relevant fund when the index itself rebalances. The funds do not invest in financial derivative instruments based on financial indices with a daily or intra-day rebalancing frequency or in indices whose methodology for the selection and the re-balancing of their components is not based on a set of pre-determined rules and objective criteria.

### What the funds can use derivatives for

A fund may use derivatives for any of the following purposes:

- **Hedging risks** Hedging is taking a market position that is in the opposite direction from – and is not materially greater than – the position created by other fund investments, for the purpose of reducing or cancelling out exposure to price fluctuations or certain factors that contribute to them.
  - **Credit hedging** Typically done using credit-linked notes and credit default swaps. The goal is to hedge against credit risk. This includes purchasing or selling protection against the risks of specific assets or issuers as well as proxy hedging (taking an opposite position in a different investment that is likely to behave similarly to the position being hedged).
  - **Currency hedging** Typically done using currency forwards, swaps and futures. The goal is to hedge against currency risk. This can be done at the fund level and, with shares that include the code “H” in their name, at the share class level. All currency hedging must involve currencies that are within the applicable fund’s benchmark or are consistent with its objectives and policies. When a fund holds assets denominated in multiple currencies, it might not hedge against currencies that represent small portions of assets or for which a hedge is uneconomical or unavailable.
  - **Duration hedging** Typically done using interest rate swaps, swaptions and futures. The goal is to seek to reduce the exposure to interest rate movements for longer-maturity bonds. Duration hedging can be done only at the fund level.
  - **Price hedging** Typically done using options on indices (specifically, by selling a call or buying a put). Usage is generally limited to situations where there is sufficient correlation between the composition or performance of the index and that of the fund. The goal is to hedge against fluctuations in the market value of a position.
  - **Interest rate hedging** Typically done using interest rate futures, interest rate swaps, writing call options on interest rates, or buying put options on interest rates. The goal is to manage interest rate risk.

**Reducing costs** A fund can use any allowable derivative to gain exposure to permissible assets, in particular when direct investment is economically inefficient or impracticable, in which case the underlying assets must be taken into account when complying with any investment limit.

**Seeking additional capital or income with the possibility of using leverage (investment purposes)** In order to seek to enhance its return, a fund can use any allowable derivative to increase its total investment exposure beyond what would be possible through direct investment. Leverage typically increases fund volatility.

Note that the combination of risk reduction, cost reduction and return generation through leverage are referred to as efficient portfolio management (EPM) under ESMA guidelines.

## Securities technique(s)

A fund can use the following technique(s) with respect to any and all securities it holds, but only for efficient portfolio management (as described above), while ensuring these are realised in a cost-effective way and are adequately monitored by risk management. The use of these techniques is generally not expected to have a material adverse impact on a fund's performance, subject to any specific risks described "Risk Descriptions".

**Securities lending** Under these transactions, a fund lends assets (such as bonds and shares) to qualified borrowers, either for a set period or returnable on demand. In exchange, the borrower pays a loan fee plus any income from the securities, and furnishes collateral that meets the standards described in this prospectus. These transactions are made on an opportunistic and temporary basis.

## Counterparties and collateral

### Counterparties for derivatives or techniques

The management company must approve counterparties before they can serve as such for the SICAV. In addition to the requirements stated in Rows 10 and 11 in "General Investment Powers and Restrictions" table, any counterparty will be assessed on the following criteria:

- regulatory status
- protection provided by local legislation
- operational processes
- creditworthiness analysis including review of available credit spreads or external credit ratings
- degree of experience and specialisation in the particular type of derivative or technique concerned

Legal structure is not directly considered as a selection criterion.

The funds may enter into TRSs only through a regulated first class financial institution of any legal form that has its registered office in an OECD country, has a minimum credit rating of investment grade and specialises in this type of transaction.

Unless otherwise stated in this prospectus, no counterparty to a derivative can serve as an investment manager of a fund that holds the derivative, or otherwise have any control or approval over the composition or management of a fund's investments or transactions or over the assets underlying a derivative. Affiliated counterparties are allowed provided that the transactions are conducted at arm's length.

None of the counterparties will have discretion over the composition or management of the fund portfolios or the underlying assets of the financial derivative instruments.

The lending agent continuously assesses the ability and willingness of each securities borrower to meet its obligations, and the SICAV retains the right to rule out any borrower or to terminate any loan at any time. The generally low levels of counterparty risk and market risk associated with securities lending are further mitigated by counterparty default protection from the lending agent and the receipt of collateral.

### Collateral policies

The funds receive assets from counterparties that function as collateral for transactions in securities lending and OTC derivatives.

**Acceptable collateral** All securities accepted as collateral must be high quality. The main specific types are shown in the table at the end of this section.

Cash collateral may include cash, short term bank certificates and money market instruments as defined in the 2010 law. A letter of credit or a guarantee at first-demand given by a first class credit institution not affiliated to the counterparty are considered as equivalent to cash assets.

Non-cash collateral must be traded on a regulated market or multilateral trading facility with transparent pricing and must be able to be sold quickly for close to its pre-sale valuation. To ensure that collateral is suitably independent from the counterparty as far as both credit risk and investment correlation risk, collateral issued by the counterparty or its group is not accepted. The collateral is

not expected to display a high correlation with the performance of the counterparty. Counterparty credit exposure is monitored against credit limits. All collateral should be capable of being fully enforced by the SICAV at any time without reference to, or approval from, the counterparty.

Within each fund, collateral received from a counterparty in any transaction may be used to offset the overall exposure to that counterparty.

To avoid having to handle small collateral amounts, the SICAV may set a minimum collateral amount (amount below which it will not require collateral) or a threshold (incremental amount above which it will not require additional collateral).

For funds that receive collateral for at least 30% of their assets, the associated liquidity risk is assessed through regular stress tests that assume normal and exceptional liquidity conditions.

**Diversification** All collateral held by the SICAV must be diversified by country, market, and issuer, with exposure to any issuer no greater than 20% of a fund's net assets. If stated in the fund description, a fund could be fully collateralised by different transferable securities and money market instruments issued or guaranteed by a member state, one or more of its local authorities, a third country, or a public international body to which one or more member states belong. In this case, the fund should receive collateral from at least six different issues, with no issue exceeding 30% of the fund's total net assets.

**Reuse and reinvestment of collateral** Cash collateral will either be placed on deposit or invested in high quality government bonds or short-term money market funds (as defined in the Guidelines on a Common Definition of European Money Market Funds) that calculate a daily net asset value and are rated AAA or equivalent. All investments must meet diversification requirements disclosed above.

Non-cash collateral will not be sold, reinvested, or pledged.

**Custody of collateral** Collateral transferred by title to a fund will be held by the depositary or a sub-custodian in a separate collateral account. With other types of collateral arrangements, such as a pledge agreement, collateral can be held by a third party custodian that is subject to prudential supervision and is unrelated to the collateral provider.

**Valuation and haircuts** All collateral is marked to market (valued daily using available market prices), taking into account any applicable haircut (a discount to the value of collateral intended to protect against any decline in collateral value or liquidity). A fund may demand additional collateral (variation margin) from the counterparty to ensure that the collateral value at least equals the corresponding counterparty exposure, and also may further narrow (or, in exceptional circumstances, broaden) the collateral it accepts beyond the criteria shown below. High-volatility assets will not be accepted as collateral unless suitably conservative haircuts are in place.

The haircut rates currently applied by the funds are shown below. The rates take account of the factors likely to affect volatility and risk of loss (such as credit quality, maturity and liquidity), as well as the results of any stress tests that may be performed from time to time. The management company may adjust these rates at any time, without advance notice, by incorporating any changes into an updated version of the prospectus.

Allowable as collateral	Haircut
Cash, in USD, EUR, CHF, or a fund's base currency	0%
• Government bonds issued by OECD countries and with a credit quality of at least A+/A1 (or equivalent)	0.5%-10%
• Non-government bonds	5%-15%
• Shares or units of UCITS investing in above bonds or in shares issued in the EU or the OECD providing these shares are included in a main index	
Listed shares	0.5%-25%

**Counterparty risk exposure** The counterparty risk of a fund vis-à-vis a counterparty will be equal to the positive mark-to-market value of all OTC derivative and efficient portfolio management techniques transactions with that counterparty, provided that:

- if there are legally enforceable netting arrangements in place, the risk exposure arising from OTC derivative and efficient portfolio management techniques transactions with the same counterparty may be netted

- if a collateral posted in favour of the fund complies at all times with the criteria set out in above table, the counterparty risk of a fund towards a counterparty is reduced by the amount of such collateral

## Usage and fees

### Information on current and future use

**Current use** The following are disclosed in "Fund Descriptions" for any fund that currently uses them:

- for total return swaps, contracts for difference and similar derivatives: the maximum and expected exposure, calculated using the commitment approach and expressed as a percentage of a fund's net asset value; under certain circumstances the maximum percentage indicated may be higher.
- for securities lending: the maximum and expected exposure; under certain circumstances the maximum percentage indicated may be higher

The following are disclosed in the SICAV's annual report:

- the usage of all instruments and techniques used for efficient fund management
- in connection with this usage, the revenues received, and the direct and indirect operational costs and fees incurred by each fund
- who received payment for the above costs and fees and any relationship a recipient might have with any affiliates of the management company
- information on the nature, use, reuse and safekeeping of collateral
- the counterparties the SICAV has used during the period covered by the report, including the major counterparties for collateral

Fees paid to the lending agent are not included in ongoing charges because they are deducted before the revenues are paid to the SICAV.

**Future use** For any derivative or technique for which expected and maximum usage is specifically provided in "Fund Descriptions", a fund may at any time increase its usage up to the stated maximum. This includes funds whose current expected usage is zero. The fund description will be updated in the subsequent version of the prospectus.

If no provision for use currently appears in "Fund Descriptions" or in "How the Funds Use Instruments and Techniques":

- for total return swaps, contracts for difference and similar derivatives, and for repurchase and reverse repurchase transactions: the fund description in the prospectus must be updated to comply with "Current use" above before the fund can start using these derivatives
- for securities lending: with no prior change to the prospectus, all funds can lend securities up to 100% of total net assets, depending on the type, quantity and liquidity of a fund's securities; for each fund, the prospectus must then be updated to comply with "Current use" above at the next opportunity
- for reuse and reinvestment of collateral: with no prior change to the prospectus, all funds can reuse and reinvest collateral without limitation; the prospectus must then be updated with a general statement to reflect the use of the practice at the next opportunity

### Revenues paid to the funds

In general, any net revenues from a fund's usage of derivatives and techniques will be paid to the applicable fund, in particular:

- from total return swaps: all revenues (since the costs of collateral management are included in the annual operating and administration fee)
- from securities lending: all gross revenues, minus a reasonable fee paid entirely to the lending agent for its services and the guaranty it provides; funds lending securities retain at least 80% of the revenue for the first US\$ 5 million of gross revenue and 85% for any additional gross revenue

# Investing in the Funds

## Share Classes

Within each fund, the SICAV can create and issue share classes. All share classes within a fund invest commonly in the same fund of securities but may have different fees, investor eligibility requirements and other characteristics, to accommodate the needs of different investors. Investors will be asked to document their eligibility to invest in a given share class, such as proof of institutional investor or non-US person status, before making an initial investment.

The different share classes are designed, in part, to offer different cost structures, with an eye to allowing shareholders to choose the structure they believe to be most beneficial given the amount of the purchase, the anticipated holding period and other individual circumstances and preferences. Investors, with the help of a financial

advisor if appropriate, can determine whether it appears more advantageous to incur an initial entry fee and not be subject to distribution fees and a contingent deferred sales charge (CDSC) or to have their entire investment amount invested from the beginning and to pay an ongoing distribution fee and potentially pay a CDSC if they sell shares relatively soon after buying them.

Each share class is identified first by one of the base unit class labels (described in the table below) and then by any applicable supplemental labels (described following the table). Within any given share class of any fund, all shares have equal rights of ownership.

Any fund can issue any share class with any of the features described below, denominated in any freely convertible currency.

## Base class characteristics

Base class	Available to	Minimum initial investment/holding per fund	CDSC <sup>1</sup>	Notes	Fund-settle	Clear-stream
<b>A</b>	<ul style="list-style-type: none"> <li>Retail investors buying shares, with or without investment advice, via an intermediary permitted by contract and regulation to receive and keep commissions</li> </ul>	—	—	—	•	•
<b>B</b>	<ul style="list-style-type: none"> <li>Retail investors buying shares, with investment advice, via an intermediary who is permitted by contract and regulation to receive and keep commissions</li> </ul>	—	0-1 year: 4.00% 1-2 years: 3.00% 2-3 years: 2.00% 3-4 years: 1.00%	These shares automatically convert to class A shares after 4 years free of charge. The management company may charge a contingent deferred sales charge (CDSC) to recoup the cost of any up-front fee it pays to an intermediary.	•	
<b>C</b>	<ul style="list-style-type: none"> <li>Retail investors buying shares, with investment advice, via an intermediary who is permitted by contract and regulation to receive and keep commissions</li> </ul>	—	0-1 year: 1.00%	The management company may charge a contingent deferred sales charge (CDSC) to recoup the cost of any up-front fee it pays to an intermediary.	•	
<b>F</b>	<ul style="list-style-type: none"> <li>Retail investors buying shares, with or without investment advice, via an intermediary not permitted to receive or keep commissions</li> <li>Retail investors buying shares via certain platforms</li> </ul>	—	—	Suitable for UK and EEA intermediaries in situations where they cannot receive and keep commissions.	•	•
<b>I</b>	<ul style="list-style-type: none"> <li>All investors buying shares directly or through an intermediary that is not permitted to receive or keep commissions</li> </ul>	—	—	Suitable for UK and EEA intermediaries in situations where they cannot receive and keep commissions.	•	•
<b>J</b>	<ul style="list-style-type: none"> <li>Institutional investors providing initial capital during a launch period</li> </ul>	USD 10 million or equivalent in EUR, GBP or JPY	—	Requires pre-approval by the management company.		
<b>N</b>	<ul style="list-style-type: none"> <li>The management company, in its role as main distributor, and its affiliates</li> <li>With management company pre-approval, institutional investors who are clients of either of the above</li> </ul>	—	—	—		
<b>S</b>	<ul style="list-style-type: none"> <li>Pension funds and other institutional investors buying shares under an approved discretionary asset management agreement with the management company</li> </ul>	USD 40 million or equivalent in EUR, GBP or JPY	—	—		
<b>Z</b>	<ul style="list-style-type: none"> <li>Institutional investors</li> </ul>	—	—	—	•	•

<sup>1</sup> The contingent deferred sales charge (CDSC) is deducted from sale proceeds. We calculate the fee in a manner that results in the lowest possible rate, basing it on the lower of original cost or liquidation value, taking the longest-owned shares first, and treating any shares acquired via switch as having been purchased at the time of the original investment. No CDSC is charged on shares acquired through reinvestment of dividends. Example: a shareholder purchased 100 class B shares at EUR 25 per share (investment of EUR 2,500) and, in the third year after issuance, the NAV per share is EUR 27. If the shareholder makes his first redemption of 50 shares in the third year (proceeds of EUR 1,350), the charge is applied only to the original cost of EUR 25 per share and not to the increase in NAV of EUR 2 per share. Therefore, EUR 1,250 of the EUR 1,350 redemption proceeds is charged a CDSC at a rate of 2.00% (the applicable rate in the third year after issuance).

<sup>2</sup> Includes institutional investors as defined in Article 174 of the 2010 Law. Is likely to include investors who meet the MIFID definitions of Eligible Counterparties or per se Professional Clients, and may include certain entities who meet the MIFID definitions of Retail Clients or elective Professional Clients, such as local authority pension funds. For more information, see the application form or contact [cslux@morganstanley.com](mailto:cslux@morganstanley.com).



## Class suffixes

Certain letters and numbers used in share class labels have particular meanings:

**Hedged shares** The following suffixes indicate the various types of hedged shares:

- **H: NAV Hedged Shares** Seek to reduce currency risk between the share class currency and the fund's base currency.
- **H1: Portfolio Hedged Shares** Seek to reduce currency risk between the share class currency and the currency(ies) in which the fund's main investments are denominated.
- **H2: Index Hedged Shares** Seek to reduce currency risk between the share class currency and the main currency(ies) in which components of a fund's benchmark are denominated.
- **H3: Non-Deliverable Currency Hedged Shares** Seek to reduce currency risk between a share class's non-deliverable currency and the fund's base currency. Note that since the shares cannot be purchased or sold in the non-deliverable currency, they must be converted to a deliverable currency, and that the currency risk between the non-deliverable currency and the deliverable currency used for transactions is not hedged.
- **H4: Partially Hedged Shares** Only applicable to non-USD denominated share classes for Parametric Global Defensive Equity Fund which targets 50% of the portfolio to be invested in cash equivalents and will be rebalanced if the weighting deviates more than 5%. It seeks to reduce the currency risk between the share class currency and the fund's exposure to the USD-denominated cash equivalent portion.

Hedging of any type is unlikely to eliminate 100% of the differences it seeks to hedge. For more on currency hedging, see "How the Funds Use Instruments and Techniques".

For unhedged shares denominated in a different currency than the fund's base currency, you will be exposed to any fluctuations in exchange rates between the share class currency, the fund's base currency, and the currencies to which the fund's portfolio is exposed.

**Dividend-paying shares** The following suffixes indicate that the shares are distributing shares, and which type they are:

- **M** These shares generally intend to pay out all net investment income as dividends.

### EXCEPTIONS

- *Global Asset Backed Securities Fund* and *Global Asset Backed Securities Focused Fund* Dividends generally also include net gains and losses from prepaid principal on ABSs/MBSs.
- *Global Balanced Income Fund* Dividends generally also include net premiums from options written to generate dividend income.

### ANTICIPATED DIVIDEND FREQUENCY

- *All funds* Monthly, accruing the last business day of each month and declared in each case the following business day.
- **X** These shares generally intend to pay out all net investment income as dividends.

### EXCEPTIONS

- *Global Asset Backed Securities Fund* and *Global Asset Backed Securities Focused Fund* Dividends generally also include net gains and losses from prepaid principal on ABSs/MBSs.
- *Global Balanced Income Fund* Dividends generally also include net premiums from options written to generate dividend income.

### ANTICIPATED DIVIDEND FREQUENCY

- *Equity Funds and Alternative Investment Funds (except Global Brands Equity Income Fund)* Semi-annually, accruing the last business day of each June and December and being declared in each case the following business day.
- *Bond Funds, Asset Allocation Funds and the Global Brands Equity Income Fund* Quarterly, accruing the last business day of March, June, September and December and being declared in each case the following business day.
- **R** These shares intend to distribute dividends at the discretion of the board. These may be partially or totally from capital or may charge some or all fund fees and expenses to capital.

### ANTICIPATED DIVIDEND FREQUENCY

- *Equity Funds and Alternative Investment Funds (except Global Brands Equity Income Fund)* Semi-annually, accruing the last business day of each June and December and being declared in each case the following business day.

- *Bond Funds, Asset Allocation Funds and the Global Brands Equity Income Fund* Quarterly, accruing the last business day of March, June, September and December and being declared in each case the following business day.

- **RM** These shares intend to distribute dividends at the discretion of the board. These may be partially or totally from capital or may charge some or all fund fees and expenses to the capital.

### ANTICIPATED DIVIDEND FREQUENCY

- *All funds* Monthly, accruing the last business day of each month and declared in each case the following business day.

Any shares without a dividend suffix are accumulation shares.

Also see "Dividend Policy" below.

**Currency codes** Each share class carries the standard three-letter code for the currency in which it is denominated (see examples of currency abbreviations on page 3). In such cases the NAV is stated in that currency only.

## Dividend policy

**Accumulation shares** These shares retain all net capital gains and investment income in the share price and generally do not distribute any dividends, although the board retains the option of doing so at a general meeting if it deems to be appropriate. Class B shares are not offered as accumulation shares. The value of accumulation shares therefore reflects the capitalisation of both income and gains.

Any dividend distribution for accumulation shares must be ratified by a shareholder vote at a general meeting and may be paid out of net investment income and/or net realised or unrealised capital gains, thus reducing the value of your investment.

**Distribution shares** These shares intend (but do not guarantee) to make periodic distributions to shareholders. When a dividend is declared, the NAV of the relevant share class is reduced by the amount of the dividend.

All distributions paid on class B shares will be distributed. Reinvestment is not an option. For all other shares, the default condition is that all distributions under USD 100 (or the equivalent in EUR, GBP or USD) are reinvested in additional shares, and all distributions over that amount may be distributed if you indicate this preference in the application form (or by notice to us via any of the methods on page 186) or reinvested in additional shares. Distribution shares accumulate dividends from the date of acquisition through the date of sale, inclusive. The board, following a shareholder's request, may decide to waive or vary the limit below which a dividend accrual is automatically reinvested.

All distributions not reinvested are paid in the currency of the share class (or, where appropriate for the share, in EUR, GBP or USD), with payment sent to the shareholder's address of record or to the associated bank account on file. Note that with any share classes that pay discretionary distributions there is a risk that a portion of the distribution will be a return of your investment, potentially taxable as income. A high distribution yield does not necessarily imply a high, or even positive, total return. Distributions of capital reduce your potential for investment growth and if continued over time can reduce the value of your investment to zero. A breakdown of the origin of each distribution appears in the financial reports.

Dividend reinvestments will occur on the business day following declaration and dividend payments within three business days of declaration. Dividends are paid to shareholders by cheque mailed to their address as shown on the register or by bank transfer. No interest is paid on dividend cheques not cashed within five years, and after 5 years these payments will be returned to the fund. No fund will make a dividend payment if the assets of the SICAV are below the minimum capital requirement, or if paying the dividend would cause that situation to occur.

Each fund applies equalisation for all dividend-paying classes to help ensure that income distributions per share are not affected by changes in the number of shares in issue. Equalisation is operated by the administrator, who allocates a portion of the proceeds from sales and costs of redemption of shares – equivalent on a per share basis to the amount of undistributed net investment income on the date of the subscription or redemption – to undistributed income.

The dividend declaration will be made public at the registered office of the SICAV and made available at the offices of the transfer agent on a monthly basis for monthly distributing shares and, for funds, on a semi-annual or quarterly basis depending on their type:

Fund type	Dividend frequency
Equity funds and alternative investment funds	Semi-annual
Bond funds, asset allocation funds and Global Brands Equity Income Fund	Quarterly

Dividends are ordinarily paid within 3 business days after their declaration.

## Swing pricing policy *Applies to all funds except Global Balanced Risk Control Fund of Funds*

As investors enter or exit a fund, the potential purchase and sale of securities may incur trading costs such as bid/ask spreads, brokerage fees, transaction charges and taxes. These costs are charged to the fund and are borne by all remaining shareholders of the fund, an effect known as dilution which can impact the remaining shareholders' returns on their investment in the fund.

In order to protect remaining shareholders from dilution, we may adjust the NAV of a fund to reflect these estimated trading costs, a mechanism known as swing pricing.

When net investor activity in a fund exceeds a certain threshold (swing threshold) on a given dealing day, the NAV is adjusted by a factor (swing factor), upwards in case of net subscriptions and downwards in case of net redemptions. In either case, the swung NAV applies to all transactions, regardless of direction, not the specific circumstances of each individual investor transaction. We may adapt the swing thresholds from time to time.

For each fund, in normal market conditions, the swing factor does not exceed 2% of the NAV on the relevant dealing day, however, we may decide to temporarily increase this limit in exceptional circumstances (for example, stressed or dislocated markets resulting in increased trading costs beyond the 2% cap), to protect shareholders' interests. This decision will be communicated to shareholders through the usual communication channels, as outlined in the "Notices and Publications" section on page 194.

## Available share classes

The information in "Base classes" and "Class suffixes" above describes all currently existing configurations of share classes. In practice, not all configurations are available in all funds. Some share classes (and funds) that are available in certain jurisdictions may not be available in others. For the most current information on available share classes, go to [morganstanleyinvestmentfunds.com](http://morganstanleyinvestmentfunds.com) or request a list free of charge from the management company.

## Issuance and ownership

**Forms in which shares are issued** We issue shares only in registered form. No share certificates or bearer shares are available. With registered shares, the owner's name is recorded in the SICAV's register of shareholders and the owner receives a confirmation of purchase. Ownership can only be transferred by notifying the transfer agent of a change of ownership. Forms for this purpose are available from the SICAV and the transfer agent.

Upon issue, the shares are entitled to participate equally in the profits and dividends of the fund attributable to the relevant share class in which they have been issued as well as in the liquidation proceeds of such fund.

**Investing through a nominee vs. directly with the SICAV** You will only be able to directly exercise your rights as an investor, in particular the right to participate in shareholder general meetings, if you invest directly with the SICAV under your own name. If you invest through an intermediary (an entity that holds your shares for you under its own name), that entity is recorded as the owner in the SICAV's register of shareholders and, so far as the SICAV is concerned, is entitled to all rights of ownership, including voting rights, although a nominee may choose to allow ultimate beneficial owners to provide general or specific proxy voting instructions. Unless otherwise provided by local law, any investor holding shares in a nominee account with a distribution agent has the right to claim, at any time, direct title to shares purchased through the nominee.

**Fractional shares** Shares are issued to one one-thousandth of a share (three decimal places). Fractional shares receive their *pro rata* portion of any dividends, reinvestments, and liquidation proceeds, but do not carry voting rights. Note that some electronic platforms may not be able to process holdings of fractional shares.

Shares carry no preferential or preemptive rights. No fund is required to give existing shareholders any special rights or terms for purchasing new shares. All shares must be fully paid up.

## Buying, Exchanging, Converting and Selling Shares

### Options for submitting initial or subsequent investment requests

- If you are investing through a financial advisor or other intermediary: contact the intermediary. Note that requests received by an intermediary close to the cut-off time may not be processed until the next dealing day.
- Fax to the transfer and registrar agent: +352 2460 9902.
- Mail/fax to any distributor indicated on the application form
- Via an electronic trading platform (requires pre-approval)
- Mail to the transfer agent and registrar:  
CACEIS Investor Services Bank S.A.  
14, Porte de France  
4360 Esch-sur-Alzette, Luxembourg

## Information that applies to all transactions except transfers

**Placing requests** You can submit requests to buy (subscribe), exchange, convert or sell (redeem) shares at any dealing day, via the options shown above.

When placing any request, you must include all necessary identifying information, including the account number and the name and address of the account holder(s) exactly as they appear on the account, and all required signatures (unless, in the case of joint holders, each such holder has sole signing authority). Your request must indicate the fund, share class, transaction currency and size and type of transaction (buying, exchanging, converting, selling). You must indicate either a currency amount or a share amount.

Once you have placed a request to buy, exchange or sell shares, you can withdraw it only if there is a suspension of the calculation of the relevant NAV or if there is a suspension of transactions of the shares concerned in your request (in that case, you have to send your request in writing to your intermediary or the management company).

You will be allocated a shareholder number on acceptance of your request. This shareholder number should be used for all future dealings with the management company or the transfer agent.

No request will be accepted or processed in any way that is inconsistent with this prospectus.

**Cut-off times and processing schedule** These are indicated for each fund in "Fund Descriptions". For a complete list of dates that are not considered as dealing days, go to [morganstanleyinvestmentfunds.com](https://www.morganstanleyinvestmentfunds.com), then click on "General Literature" and "MS INV F Holiday Calendar".

Except during suspensions in share transactions, requests that have been received and accepted by the administrator or any collection agent or other intermediary will be processed at the NAV calculated after the first cut-off time to occur after the time at which the transaction request is received and accepted. Note that an intermediary could be closed for business on some days that are dealing days for the fund(s) in question. No intermediary is permitted to withhold redemption orders received to benefit themselves by a price change.

A confirmation note will be sent by mail, fax or electronically to the registered shareholder or the shareholder's agent on the day the request is processed. We recommend that you review all confirmation notes as soon as you receive them and immediately report any possible errors.

**Pricing** Shares are priced at the NAV for the relevant share class in the relevant currency. All requests to buy, exchange, or sell shares are processed at that price, adjusted for any charges. Each NAV is calculated in the fund's base currency, then converted, at current market rates, into any currencies of share class denomination. See also "Swing pricing policy" above.

Except for initial offering periods, during which the price is the initial offer price, the share price for a transaction will be the NAV calculated for the day on which the transaction request is processed (which, as noted above and in "Fund Descriptions", may or may not be the same day as the request is received and accepted). Note that the NAV at which any request is processed cannot be known at the time a request is placed. You may also not get back the amount that you invest, particularly if shares are redeemed soon after they are issued and the shares have been subject to entry fee or transaction charge. Changes in exchange rates may also cause the value of shares in your home currency to go up or down.

The days on which asset valuations are taken for each fund is available upon written request.

**Currencies** In the absence of any special instructions and for hedged shares, all purchase payments should be made, and all sale proceeds will be paid, in the currency of the share class in question. For non-hedged shares, we also calculate a NAV, and accept and make payments in EUR and USD. For some share classes of certain funds, as indicated in "Fund Descriptions", this extends to GBP or JPY. Note that these four currencies are also the only options for hedged shares that are hedged to a non-deliverable currency.

For purchase payments and exchanges, and only for share classes whose NAVs are not published, we will convert any payments received in a different currency into the currency of the share class. To have sale proceeds converted into a different currency, provide instructions with your sell request. All conversions will be done at normal banking rates, prior to acceptance of the request, and at the sole cost of the investor. Note that currency conversions may delay the processing of a purchase or sell request (though they will not affect the NAV at which the request is processed).

**Fees** Any purchase, exchange, or sale may involve fees. For the maximum purchase fees (or entry fees) charged by each base share class, see the applicable fund description and the "Share class characteristics" table above. If you are investing through an intermediary, a portion of any entry fees paid may go to that intermediary, as may a portion of annual fees in any share class that pays a trailing commission. No sale fees (or redemption fees) are usually charged when selling shares. However, the management company may decide to apply a redemption fee of up to 2%, payable to the fund(s) in question, in any situation where it believes this is consistent with protecting the best interests of other funds' shareholders as a group (see "Market timing and excessive trading" on page 193).

To find out the actual fees involved in a transaction, contact your intermediary or the transfer agent and registrar. Other parties involved in the transaction, such as a bank, intermediary, or paying agent may charge their own fees. Some transactions may create tax liabilities. You are responsible for all costs and taxes associated with each request you place.

**Compliance with FATCA** If you are investing through an intermediary, we advise that you consult with both your intermediary and a US tax advisor as to whether and how your intermediary plans to comply with the FATCA reporting and withholding tax requirements. For more information about FATCA, see page 189.

**Late or missing payments to shareholders** The payment of dividends or sale proceeds to any shareholder may be delayed for reasons of fund liquidity, and may be delayed, reduced, or withheld if required by foreign exchange rules, other rules imposed by the shareholder's home jurisdiction, or for other external reasons, including bank holidays. In such cases we cannot accept responsibility, nor do we pay interest on amounts withheld.

**Changes to account information** You must promptly inform us of any changes in personal or bank information, or in case of a loss of your shareholder number, and in particularly any information that might affect eligibility for existing or prospective ownership (including beneficial ownership) any share class. We will require adequate proof of authenticity for any request to change the bank account associated with your fund investment.

**Buying shares** Also see "Information that Applies to All Transactions Except Transfers" above.

To make an initial investment, submit a completed application form and all account opening documentation (such as all required tax and anti-money laundering information) using one of the options described on page 186. Be sure to provide all requested identification documents with your application form, and your bank account and wire instructions, to avoid delays in receiving proceeds when you wish to sell shares. Joint applicants must each sign the application form unless an acceptable power of attorney or other written authority is provided.

Once an account has been opened, you can place additional requests as shown in the box on previous page. Guard all account numbers well, as they are considered the primary proof of shareholder identity.

For optimal processing of investments, send money via bank transfer (net of any bank charges) to the SICAV's bank account, in the currency denomination of the shares you want to buy. Note that some intermediaries may have their own account opening and purchase payment requirements.

All purchase requests must be accompanied either by full payment or by a documented, irrevocable guarantee, acceptable to the distributor or the management company, that full payment will be received before the deadline, unless stated otherwise in "Fund Descriptions". We cannot accept cheques as payment. For class A, B, C and F shares, unless prior arrangements are made, the transfer agent must receive cleared payment one business day before the request is processed. For class I, J, N, S and Z shares, the transfer agent must receive cleared payment by 1 PM CET within 3 business days after the day on which the transaction was processed.

If we receive a late payment, we may choose to treat it in either of the following ways:

- accept the payment but process it as if the purchase request had been received and accepted on the day the payment arrived, at the NAV applicable to such a transaction (which may result in the acquisition of a lower number of shares depending if the NAV is higher on the day the payment arrived)
- cancel the transaction without notice to you and return the payment, with any gains on the shares we had set aside for you credited to the respective fund(s) and any losses becoming your liability, in which case you may be required to compensate such loss; no interest is paid on money returned to you

We may take any steps not prohibited by law to compel payment of liabilities, including the costs of collection, incurred through a cancellation of purchase, a non-payment or a late payment, including the forced redemption of part of any issued shares.

Shares for which cleared funds have not yet been received cannot be exchanged, sold, or transferred, and are not entitled to voting rights. Any dividend payments due will be suspended until full payment is received.

**Subscriptions through an intermediary** No financial advisor or other intermediary is permitted to withhold subscription requests to benefit themselves by a price change. Investors should note that they may be unable to purchase or redeem shares through a distributor on days that such distributor is not open for business.

Where shares are subscribed through an intermediary, different payment arrangements to those set out above may apply.

**Dividend accrual** Distributing share classes (X and M classes) and discretionary distributing share classes (R and RM classes) begin accruing dividends on the business day on which subscription requests are processed.

## Exchanging and converting shares *Also see "Information that Applies to All Transactions Except Transfers" above.*

You can exchange (switch) shares of any fund into the same share class of shares in any other fund in the SICAV, or into another Morgan Stanley investment vehicle with which exchanges are permitted. You can also convert into a different share class, either within the same fund or as part of an exchange to a different fund; in this case, you must indicate your desired share class on your request.

Conversions between share classes are generally permitted only as follows:

		INTO									
		A	B	C	F	I	J	N	S	Z	
CONVERT OUT OF	A				•	•					•
	B	•			•	•					
	C				•	•					
	F					•					
	I	•			•					•	•
	J										
	N										
	S										•
	Z									•	

All exchanges and conversions are subject to the following conditions:

- conversions between accumulation and distribution shares in the same base share class are allowed
- you must meet all eligibility and minimum initial investment requirements for the share class into which you are requesting to convert
- the exchange or conversion must not violate any restrictions stated in this prospectus (including in "Fund Descriptions")
- exchanges and conversions are always processed in the same currency; you must provide specific instructions for any exchanges or conversions involving different currencies
- exchanges involving class J are not permitted
- conversions and exchanges out of the Saudi Equity Fund are not permitted
- any exchange or conversion involving shares for which a CDSC is owed will be treated as a sale and the CDSC will be deducted from the proceeds
- when such transactions are conducted through intermediaries, these intermediaries must be open for business and they may impose their own fees, limits and requirements
- requests for exchange and conversion must be accompanied, as appropriate, by the registered share certificate or by a form of transfer, duly completed, or by any other document providing evidence of transfer

There are no entry fees on exchanges among classes A, C, I and Z.

We will let you know if any exchange or conversion you request is not permitted by this prospectus.

We process all exchanges and conversions of shares on a value-for-value basis, using the NAVs of the two investments (and, if applicable, any currency exchange rates) that are in effect as at the time we process the exchange or conversion. If there is a difference in cut-off times, the earlier one applies; if a difference in settlement dates, the later one. Because an exchange can only be processed on a day on which both funds are processing transactions in shares, an exchange request may be held until such a day occurs.

Exchange of B and C class shares from one fund to another will not affect the initial purchase date nor the rate which will be applied upon redemption from the new fund, as the rate which will be applied will be determined based on the first fund in which the shareholder purchased shares. Any conversion of class B shares to any other class of shares of any fund within four years of the subscription date will be treated as a redemption and may be subject to a CDSC as detailed on page 201. Any conversion of C class shares to any other class of shares of any fund within less than one year of the subscription date will be treated as a redemption and may be subject to a CDSC.

Shareholders should note that if an application for conversion relates to a partial conversion of an existing holding and the remaining balance within the existing holding is below the minimum requirement (which is the current minimum initial subscription amount as detailed in this prospectus), the SICAV is not bound to comply with such application for conversion.

Because an exchange is considered two separate transactions (a simultaneous sale and purchase) it may create tax or other consequences. The purchase and sale components of an exchange are subject to all terms of each respective transaction. In contrast, a conversion is not considered a sale or purchase. However, in some cases, in particular a conversion from class B to class A shares, whether by request or automatic, can create tax consequences.

Formula for calculating the rate for an exchange or conversion:

$$A = \frac{B \times C \times E}{D}$$

Where:

A is the number of shares to be allocated in the receiving class.

B is the number of shares to be exchanged or converted.

C is the NAV per share of class to be converted.

D is the NAV per share of the receiving class.

E is the actual rate of exchange if the exchange or conversion involves classes with different currency (value is 1 if the currency is the same).

Requests for exchanges or conversions will be accepted upon verification by the management company that the relevant shareholders have received a KID of the class of share into which they intend to exchange or convert.

Any fractions of shares can be allotted and issued unless the shareholder holds shares through Euroclear.

**Dividend accrual** Distributing share classes (X and M classes) and discretionary distributing share classes (R and RM classes) begin accruing dividends on the business day on which exchange or conversion requests are processed.

## Selling shares *Also see "Information that Applies to All Transactions Except Transfers" above.*

All sold (redeemed) shares are cancelled and sale proceeds are paid within the settlement period as described in "Fund Descriptions".

Sell requests that are part of a holding of shares with a value of less than USD 2,500 (or equivalent in the relevant currency) or that would leave an account with less than either the applicable minimum holding or USD 100 (or equivalent in the relevant currency) may be treated as orders to liquidate all shares and close the account. Alternatively, we may choose to convert the remaining holdings into a more appropriate share class. In either case, we may act upon providing shareholders with one-month advance notice.

Note that any sale proceeds will only be paid out once all investor documentation has been received, including any requested in the past that was not adequately provided.

We pay sale proceeds only to the shareholder(s) identified in the SICAV's register of shareholders, by wire to the bank account details we have on file for the account. If any required information is missing, your request will be held until it arrives and can be properly verified. All payments to you are made at your expense and risk.

Sale proceeds are paid in the share class currency. To have your proceeds converted to a different currency, contact your intermediary or the transfer agent before placing your request.

**Dividend accrual.** Distributing share classes (X and M classes) and discretionary distributing share classes (R and RM classes) will accrue up to, and including, the business day on which redemption requests are processed.

## Transferring shares

As an alternative to exchanging or selling, you may transfer ownership of your shares to another investor. Note, however, that all of the ownership eligibility requirements for your shares apply to the new owner (for example, institutional shares cannot be transferred to non-institutional investors). All transfers are subject to approval by the administrator. If you make a partial transfer that leaves you with less than the stated minimum holding amount for the share class (or equivalent in the relevant currency), we may liquidate your remaining shares and close the account.

We may charge a fee for each transfer that is payable to the management company to compensate it for the costs of processing such request, out of your investment. Such amount will not exceed €50 per transfer.

## Tax Considerations

The following is summary information, not tax advice, and is provided for general reference only. Investors should consult their own tax advisors.

### Taxes paid from fund assets

The SICAV is subject to the Luxembourg *taxe d'abonnement* (subscription tax) at the following rates:

- share classes A, B, C, F and I: 0.05%.
- share classes J, N, S and Z: 0.01%.

This tax is calculated and payable quarterly, on the aggregate net asset value of the outstanding shares of the SICAV. Any assets coming from ETFs (as defined in Article 175 e of the 2010 Law) or from a Luxembourg UCI on which the *taxe d'abonnement* has already been paid are not subject to further *taxe d'abonnement*.

Under certain conditions, the portion of funds' assets that are invested in sustainable economic activities (under the Taxonomy Regulation) may be subject to a lower *taxe d'abonnement* ranging from 0.01% to 0.04%.

**Taxe d'abonnement exemptions** Some types of UCIs or securities are exempted from the *taxe d'abonnement*:

- institutional classes of UCIs or individual funds whose sole object is the collective investment in money market instruments and the placing of deposits with credit institutions are exempted from the *taxe d'abonnement* assuming these funds meet the following criteria:
  - the weighted residual portfolio maturity does not exceed 90 days
  - they have obtained the highest possible rating from a recognised rating agency
- UCIs whose securities are reserved for institutions for occupational retirement pension or similar investment vehicles, set up on one or more employers' initiative for the benefit of their employees, and companies of one or more employers investing in funds they hold to provide retirement benefits to their employees
- UCIs or individual funds whose main objective is the investment in microfinance institutions
- the value of the assets represented by units held in other UCIs, provided such units have already been subject to the *taxe d'abonnement* provided for in Article 174 of the 2010 Law or in Article 68 of the amended law of 13 February 2007 on specialised investment funds, or by Article 46 of the amended law of 23 July 2016 on reserved alternative investment funds
- ETFs as defined by Article 175 e) of the 2010 Law

The SICAV is subject to VAT but is not currently subject to any Luxembourg stamp, withholding, municipal business, net wealth or estate tax, or taxes on income, profits, or capital gains.

To the extent that any country in which a fund invests imposes withholding taxes on income or gains earned in that country, these taxes will be deducted before the fund receives its income or proceeds. Some of these taxes may not be recoverable. The fund might also have to pay other taxes on its investments. The effects of taxes will be factored into fund performance calculations. See also "Tax change risk" in the "Risk descriptions" section.

While the SICAV is required to pay an annual tax of 0.0925% for retail investors (reduced to 0.01% for institutional investors) on funds beneficially held by Belgian residents, this amount is fully paid by the management company out of the administration fee.

While the above tax information is accurate to the best of the board's knowledge, it is possible that a tax authority may modify existing taxes or impose new ones (including retroactive taxes) or that the Luxembourg tax authorities may determine, for example, that any share class currently identified as being subject to the 0.01% *taxe d'abonnement* should be reclassified as being subject to the 0.05% rate. The latter case could happen for an institutional share class of any fund for any period during which an investor not entitled to hold institutional shares was found to have held such shares.

## Taxes you are responsible for paying

**Taxes in your country of tax residence** Luxembourg tax residents are generally subject to Luxembourg taxes, such as those mentioned above that do not apply to the SICAV. Shareholders in other jurisdictions are generally not subject to Luxembourg taxes (with some exceptions, such as the gift tax on Luxembourg-notarised gift deeds). However, an investment in a fund may have tax implication in these jurisdictions. Investing in the fund and exercising rights as a shareholder does not create Luxembourg tax residency.

**International tax agreements** Several international tax agreements require the SICAV to report certain information about fund shareholders to the Luxembourg tax authorities every year, and for those authorities to automatically forward that information to other countries, as follows:

- **EU Mandatory Disclosure Regime (MDR) and Common Reporting Standard (CRS)** Collected: financial account information, such as interest and dividend payments, capital gains, and account balances. Forwarded to: the home countries of any shareholder located in the EU (MDR) or in the more than 50 OECD and other countries that have agreed to CRS standards.
- **US Foreign Account Tax Compliance Act (FATCA)** Collected: information on direct and indirect ownership of non-US accounts or entities by certain US Persons. Forwarded to: US Internal Revenue Service (IRS).

Future agreements, or expansions of existing ones, could increase the countries to which shareholder information is communicated. Any shareholder who fails to comply with the SICAV's information or documentation requests may be subject to penalties from their jurisdiction of residence and may be held liable for any penalties imposed on the SICAV that are attributable to the shareholder's failure to provide the documentation. However, shareholders should be aware that such a violation on the part of another shareholder could reduce the value of all other shareholders' investments, and that it is unlikely the SICAV will be able to recover the amount of such losses.

Distributions from the SICAV are generally not subject to withholding taxes. However, with FATCA, there is a 30% withholding tax on certain US-originated income paid to, or for the benefit of, a US person by a foreign source. Under a Luxembourg-US tax agreement, this withholding tax applies to any US-originated income, dividends, or gross proceeds from sales of assets paid out to shareholders who are considered to be US investors. Any shareholders who do not provide all FATCA-related information requested, or whom we believe are US investors, may be subject to this withholding tax on all or a portion of any sale or dividend payments paid by any fund. Likewise, we may impose the withholding tax on investments made through any intermediary who we are not completely satisfied is FATCA-compliant.

While the management company will make good-faith efforts to ensure compliance with all applicable obligations of tax law, the SICAV cannot guarantee that it will be exempt from withholding requirements or that it will provide all necessary information for shareholders to comply with their tax reporting requirements.

## Personal Data

a) In accordance with the data protection law applicable to the Grand-Duchy of Luxembourg including the Law of 2 August 2002 on the protection of persons with regard to the processing of personal data (as may be amended from time to time), the General Data Protection Regulation (EU/2016/679) and all applicable laws (together, the "Data Protection Laws"), the SICAV, acting as "data controller" within the meaning of the Data Protection Laws, hereby informs prospective investors and holders of shares in the SICAV (together, "shareholders", and each a "shareholder") that personal data provided by each shareholder to the SICAV ("Personal Data", as defined in paragraph (b), below) may be collected, recorded, stored, adapted, transferred or otherwise processed, by electronic means or otherwise, for the following purposes (each a "Processing Purpose"):

- 1) to enable and process the subscription and redemption of shares in the SICAV by investors, including (without limitation) the facilitation and processing of payments by and to the SICAV (including the payment of subscription monies and redemption proceeds, the payment of fees by and to shareholders and the payment of distributions on shares), and generally to enable and give effect to the participation of investors in the SICAV;
- 2) to enable an account to be maintained of all payments referenced in sub-paragraph (1), above;
- 3) to enable the maintaining of a register of shareholders in accordance with applicable laws;
- 4) to carry out or to facilitate the carrying out with respect to shareholders of credit, money laundering, due diligence and conflict checks, for the purposes of fraud, money-laundering, financial crime prevention and tax identification laws (including FATCA and CRS and applicable anti-money laundering laws), and generally to enable the SICAV to comply with its legal obligations arising in connection therewith;
- 5) to enable the SICAV to perform controls in respect of late trading and market timing practices;
- 6) to facilitate the provision to the SICAV of services by the service providers referenced in this Prospectus, including (without limitation) the authorisation or confirmation of billing transactions and payments by and to the SICAV;
- 7) to facilitate the operational support and development necessary to the SICAV's investment objectives and strategies with respect to its Sub-Funds, including (without limitation) the SICAV's risk management processes, and the evaluation of services provided to the SICAV by third-party service providers;
- 8) in relation to any litigation, disputes or contentious matter in which the SICAV is involved;
- 9) to comply with legal and regulatory obligations, (including any legal or regulatory guidance, codes or opinions), applicable to the SICAV anywhere in the world;
- 10) to comply with legal and regulatory requests made to the SICAV anywhere in the world;
- 11) to facilitate reporting, including (without limitation) transaction reporting to, and audits by, national and international regulatory, enforcement or exchange bodies, and tax authorities (including the Luxembourg Tax Authority) and the compliance by the SICAV with court orders associated therewith;
- 12) for the Monitoring Purposes defined and specified in Section (e) below; and
- 13) or direct marketing purposes specified in Section (g) below.

The SICAV may not collect Personal Data without a valid legal ground. Accordingly, the SICAV will only process and use Personal Data:

- a. if necessary to enter into, to execute or to carry out a contract with each shareholder for the services or products they required by the shareholder (as described in Processing Purposes 1 to 3 inclusive, above);
- b. if necessary for the SICAV's legitimate interests, provided in each case that such interests are not overridden by the privacy interests of impacted individuals. The SICAV's legitimate interests are described in the Processing Purposes 1 to 12 inclusive, above;
- c. to exercise and defend the SICAV's legal rights anywhere in the world as described in Processing Purpose 8 above; and
- d. if necessary to comply with legal obligations, (including any legal or regulatory guidance, codes or opinions), applicable to the SICAV anywhere in the world as described in Processing Purposes 4, 9 and 10 above.

b) "Personal Data" includes data that is personal to a shareholder (whether a shareholder is a natural or a legal person) and which the SICAV obtains directly from a shareholder and/or indirectly from a data processor such as personal details (including, at a minimum, a shareholder's name, legal organisation, country of residence, address and contact details) and financial account information. Some of this information will be publicly accessible, such as the information that we obtain from social media for communication functionality of sites, direct messaging (i.e. Bloomberg) and for our brand presence analysis.

Under certain conditions set out under the Data Protection Laws, a shareholder shall have the right to:

- (i) access to his/her/its Personal Data;
- (ii) to correct or amend his/her/its Personal Data when such Personal Data is inaccurate or incomplete;
- (iii) to object to the processing of his/her/its Personal Data;
- (iv) to refuse at his/her/its own discretion to provide his/her/its Personal Data to the SICAV; (v) to request the erasure of his/her/its Personal Data; and
- (vi) to request the portability of his/her/its Personal Data in accordance with the Data Protection Laws.

Shareholders should note in particular that a refusal to provide Personal Data to the SICAV may result in the SICAV being required to reject his/her/its application for shares in the SICAV.

Shareholders may exercise these rights by contacting the SICAV at [dataprotectionoffice@morganstanley.com](mailto:dataprotectionoffice@morganstanley.com). In addition to exercising these rights, shareholders have also a right to lodge a complaint in connection with matters concerning the processing and protection of Personal Data with the SICAV at [dataprotectionoffice@morganstanley.com](mailto:dataprotectionoffice@morganstanley.com), without prejudice to their ability to submit a complaint to the National Commission for Data Protection in Luxembourg (the "CNPD").

c) For any Processing Purpose, the SICAV will delegate the processing of Personal Data, in accordance with the Data Protection Laws, to other parties, including the management company, the administrator and paying agent, the domiciliary agent, the registrar and transfer agent, and the depositary, as well as other parties such as settlement agents, foreign banks or exchange or clearing houses, credit reference, fraud prevention and other similar agencies, and other financial institutions, together with parties to which the SICAV and/or the management company may assign or novate Personal Data (each a "Data Processor", and together the "Data Processors").

A Data Processor may, subject to the approval of the SICAV, sub-delegate the processing of Personal Data (and, pursuant to such sub-delegation, the transfer thereof) to its parent company or organisation, affiliates, branch offices or third party agents (together, the "Delegates").

Data Processors and Delegates may be located in countries outside of the country of origin (which may include Malaysia, India, United Kingdom, United States of America and Hong Kong), where data protection laws may not provide an adequate level of protection. In such cases the Data Processor, with the supervision of the SICAV, will ensure (i) that it has put in place appropriate data transfer

mechanisms with the SICAV, and (ii) if applicable, that the Delegate has put in place appropriate data transfer mechanisms, in each case such as European Commission Standard Contractual Clauses. Shareholders can obtain a copy of the relevant data transfer mechanism that the SICAV has put in place by contacting the SICAV at [dataprotectionoffice@morganstanley.com](mailto:dataprotectionoffice@morganstanley.com).

The SICAV will disclose Personal Data to the Luxembourg tax authority, which in turn, acting as data controller, may disclose that Personal Data to foreign tax authorities.

d) In compliance with the Data Protection Laws, the SICAV will retain Personal Data in an identifiable form in accordance with the SICAV's information management policy which establishes general standards and procedures regarding the retention, handling and disposal of Personal Data. Personal Data shall not be retained for longer than is necessary with regard to the Processing Purposes, subject to any limitation periods imposed by law. Upon request, the SICAV will provide a shareholder with more information on the exact retention periods applying to its Personal Data. The retention period may be extended in the sole discretion of the SICAV if the SICAV is required to preserve Personal Data in connection with litigation, regulatory investigations and legal proceedings.

e) To the extent permitted by the Data Protection Laws, the SICAV and the management company (acting as "data controller" within the meaning of the Data Protection Laws) will access, review, disclose, intercept, monitor and record (together, "Monitoring") (i) verbal and electronic messaging and communications (for example, and without limitation, telephone, sms, instant message, email, Bloomberg and any other electronic or recordable communications) with a shareholder or shareholders' agent (together, "Communications"), and (ii) a shareholder's use of technology owned, provided or made accessible by the SICAV and the management company, including (without limitation) systems that facilitate Communications with shareholders, information processing, transmission, storage and access, including remote access (together, "Systems").

The SICAV and the management company will subject Communications and Systems to Monitoring only for the following purposes (together, "Monitoring Purposes"):

- 1) to establish the existence of facts (e.g., keeping records of transactions);
- 2) to ascertain compliance with regulatory or self-regulatory practices or procedures which are applicable to the SICAV and/or the management company;
- 3) to ascertain or demonstrate standards which are achieved or ought to be achieved by persons using Systems, including compliance with any terms of use associated use of Systems;
- 4) to prevent, detect or investigate crime, money laundering, fraud, financial crime and/or other breaches of applicable law;
- 5) to comply with applicable laws and regulations, any material contract and any applicable policies and procedures;
- 6) to safeguard against the loss, theft, unauthorised and unlawful collection, use, disclosure, destruction or other processing or misuse of confidential and proprietary information;
- 7) to prevent, detect or investigate unauthorised use of Systems and/or data (e.g., Monitoring to ensure compliance with the policies and procedures of the SICAV and/or the management company, including without limitation those relating to information security and cyber security);
- 8) to ensure the effective operation of Systems (including telephones, email and internet) systems;
- 9) for support and administration purposes;
- 10) to assist with investigations, complaints, regulatory requests, litigation, arbitration, mediation or requests from individuals; and

- 11) in particular, in the course of the operational support and development of the business of the SICAV and/or the management company, such as to evaluate the quality of customer service, efficiency, cost and risk management purposes.

Monitoring will be conducted by the SICAV and/or the management company using various methods, including: (i) the use of "intelligent" automated monitoring tools; (ii) IT filtering tools which randomly review Systems; (iii) random monitoring of Systems, e.g. by authorised supervisors randomly joining on-going telephone calls on sales and trading floors; (iv) specific monitoring of Systems, e.g. in relation to investigations, regulatory requests, subject access requests, litigation, arbitration or mediation; (v) data tracking, aggregation and analysis tools that collect data from various sources to extrapolate linkages and/or detect behavioural patterns, interactions or preferences for analysis (including predictive analysis); and/or (vi) using other similar Monitoring technology that may become available from time to time.

The SICAV and/or the management company also use cookies and similar technologies to collect information about shareholders as part of and/or in connection with services provided by them or in connection with any System owned or provided by them. By accessing or using services or a System, a shareholder signifies his/her/its understanding that the SICAV and/or the management company will use such cookies and similar technologies as detailed in the SICAV's privacy policy, and that if the shareholder chooses to reject such cookies, some or all parts of the services or the relevant System may not function properly or may not be accessible. To find out more about how the SICAV and/or the management company uses cookies and similar technologies, how the SICAV and/or the management company processes the information obtained through cookies and how a shareholder may reject cookies, see the SICAV's privacy policy at [morganstanley.com/privacy\\_pledge](https://morganstanley.com/privacy_pledge).

f) Any documentation or records relating to the Monitoring of Systems shall be *prima facie* evidence of any orders or communications that have been subjected to Monitoring, and shareholders agree that such records shall be admissible as such in any legal proceedings. Furthermore, shareholders confirm that they will not use, file, or cite as a reason for objecting to the admission of such records as evidence in any legal proceedings either that the records are not originals, or are not in writing or are documents produced by a computer. The SICAV and/or the management company will retain such records in accordance with its operational procedures which may change from time to time in its absolute discretion, however, such records shall not be held by the SICAV for longer than is necessary with regard to the Monitoring Purposes, subject to any limitation periods imposed by law. Shareholders are hereby informed that this record keeping should not be deemed to be a substitute for their own keeping of adequate records in accordance with any applicable rules or regulations to which they are subject.

g) If there are any products or services that the SICAV and/or the management company believes may be of particular interest to a shareholder, whether provided or sponsored by the SICAV and/or the management company or their respective affiliates, or by third party investment services providers (for example, a fund manager or insurance service provider not affiliated with the SICAV, the management company or their respective affiliates), the SICAV, the management company or their respective affiliates will contact that shareholder by means which may include mail, email, sms and telephone), including outside standard working hours. When required by the Data Protection Laws, a shareholder's prior consent will be requested before its Personal Data is used to make or facilitate direct marketing of this nature. If a shareholder does not wish the SICAV, the management company or their respective affiliates to use its Personal Data in this way, or does not wish to provide Personal Data for such direct marketing purposes, the shareholder may notify the SICAV, the management company or their respective affiliates at any time in accordance with section (b) above or as directed in any marketing materials that may be received by shareholders. In this respect, each shareholder has a right to object to the use of his/her/its Personal Data for marketing purposes. This objection must be made in writing by letter addressed to the SICAV, the management company or their respective affiliates at European Bank and Business Centre, 6B route

de Trèves, L-2633 Senningerberg, Grand Duchy of Luxembourg, or at [cslux@morganstanley.com](mailto:cslux@morganstanley.com).

h) Before providing the SICAV and/or the management company with access to, or permitting any access to, or permitting the processing of, Personal Data which contains any data regarding an individual in connection with this Prospectus, a shareholder should ensure that: (i) the individual understands that the shareholder will be providing their Personal Data to the SICAV, the management company or their respective affiliates; (ii) the individual has been provided with the information set out herein regarding the collection, use, processing, disclosure and overseas transfer of

Personal Data, the use of Personal Data for direct marketing purposes, and the possibility of monitoring or recording of their or their agent's communications by the SICAV, the management company or their respective affiliates (in each case if permitted by the Data Protection Laws); (iii) if required, the individual has provided their consent to the processing by the SICAV, the management company or their respective affiliates of their Personal Data or that another legal basis to process Personal Data is satisfied; and (iv) the individual is aware of their data protection rights and how to exercise these.

## Actions We May Take

### Rights We Reserve

Within the limits of the law and the articles, the board and/or the management company reserve the right to take any of the actions described below at any time.

**Reject or cancel any application to open an account or any request to buy, exchange or transfer shares, for any reason.**

We can reject the entire amount or part of it. If a request to buy shares is rejected, monies will be returned at the purchaser's risk within 7 business days, without interest and minus any incidental expenses.

**Declare additional dividends** or change (temporarily or permanently) the method used for calculating dividends.

**Take appropriate measures to prevent or remedy improper ownership of shares.** This includes ownership by any investor ineligible to own them or whose ownership might be detrimental to the SICAV or its shareholders, or result in a breach of any provisions in the articles, this prospectus or law or regulations of any jurisdiction. The following examples apply to both existing and prospective shareholders and to both direct and beneficial ownership of shares:

- requiring investors to provide any information we consider necessary for determining the identity and eligibility of a shareholder (or to substantiate any representation made by an investor in its application)
- forcibly exchanging or selling any shares we believe are being held in whole or in part by or for an investor who is, or appears likely to become, ineligible to own those shares (for example based on the share class characteristics), or who has failed to provide any requested information or declaration within one month of being requested to do so, or whose ownership the SICAV has determined might be detrimental to its interests or those of shareholders
- preventing investors from acquiring shares if we believe it is in the interests of existing shareholders to do so

We may unilaterally take any of these measures:

- to ensure the compliance of the SICAV, the management company and the investment manager with law and regulation
- to avoid the adverse regulatory, tax, administrative, or financial consequences for these entities (such as tax charges), provided that no provisions of this prospectus will prevent a Morgan Stanley entity or any of its affiliates or subsidiaries from owning shares of the SICAV
- to remedy the ownership of shares by a US person or any other investor whose ownership of shares is not permitted by the investor's jurisdiction; or for any other reason, including the avoidance of any local registration or filing requirements with which the management company or the SICAV would not otherwise be required to comply
- for any other reason, stated or unstated

The SICAV will not be liable for any gain or loss associated with the above actions.

**Temporarily suspend the calculation of NAVs or transactions in a fund's shares.** We may at any time suspend the calculation of NAV of any share class and/or fund, and with it the issuance and redemption (including exchanges and conversions) of shares of that fund, under any of the following circumstances:

- the principal stock exchanges or markets associated with a substantial portion of the fund's investments are closed during a time when they normally would be open, or their trading is restricted or suspended
- the board believes an emergency exists that makes it impracticable to value or liquidate assets
- a disruption of communication or computation systems or other emergency has made it impracticable to reliably value fund assets
- where a substantial proportion of the assets of the fund cannot be valued, because a stock exchange or market is closed on a day other than usual public holiday, or when trading on such stock exchange or market is restricted or suspended, or for any other reason
- the fund is unable to repatriate monies needed to pay out redemption proceeds, or is unable to exchange monies needed for operations or redemptions at what the board considers a normal currency exchange rate
- a notice is published for a general meeting to decide whether or not to wind up one or more funds or the SICAV
- where the net asset value of one or more investment funds in which the fund invests a substantial part of its assets is suspended
- where the fund is a feeder fund and its master fund has suspended NAV calculations or share transactions
- where the net asset value of any subsidiary of the SICAV may not be determined accurately

In case of a suspension of NAV calculation and/or transactions in a fund's shares, requests are processed the first business day following the end of the suspension period, subject to any special procedures applicable during times of peak requests as described below.

If a suspension continues for more than one calendar month, you may withdraw any unprocessed request by sending us written notice.

**Implement special procedures during times of peak transaction requests.** If on any dealing day a fund receives and accepts subscription, switch or redemption requests (in-kind payments excluded) whose net value exceeds 10% of the fund's NAV, we may take steps to limit the value of excess requests processed that day, in the direction of the excess, to 10% of the fund's total net assets. Any one order (or if an investor has placed multiple orders, the total of those orders) that represents less than 2% of the fund's total net assets will be placed in queue based on day and time of receipt and will be processed that day. Orders (including aggregated orders of a single investor) that are larger than 2% will be executed partially on a *pro rata* basis on the first day and partially on one or more subsequent days, subject to overall volumes. We may change these thresholds subject to an amendment to the prospectus. These processing procedures will last as long as the management company determines it is in the best interests of shareholders (as a group), but typically not more than one day. All requests affected by such a processing suspension will be held in queue ahead of any requests received and accepted on a later date.

Alternatively, we may ask a shareholder to accept a redemption in kind, as described below.

If the management company decides to defer all or part of such requests, it will inform the applicant prior to the deferral taking place.



**Determine non-dealing days.** The calendar indicates the scheduled non-dealing days as at the date it was issued. The board may designate additional dealing days as non-dealing days to the extent, in its judgment, any market(s) are closed or are under any restriction or suspension of trading that would affect the calculation of a fund's NAV.

**Increase settlement time** up to ten business days, when market conditions are unfavourable or where the board considers such action to be in the best interests of the remaining shareholders.

**Close a fund or share class to further investment,** temporarily or indefinitely, when the board believes it is in the best interests of shareholders (such as when a fund has reached the size where further growth appears likely to be detrimental to performance). A closure may apply only to new investors or to further investments from existing shareholders as well.

We may decide to offer only one class of shares for purchase by investors in any particular jurisdiction in order to conform to local law, custom or business practice. We also reserve the right to adopt standards applicable to classes of investors or transactions that permit or require the purchase of a particular class of shares.

**Close and liquidate any fund or share class if its total net assets fall below EUR 100 million,** or the equivalent in the reference currency of the fund or class. In such case, all CDSC amounts ordinarily due will be waived.

**Close and liquidate, or merge, funds or share classes,** when there has been a notable change in the prevailing economic or political circumstances or when board believes it is in the best interest of shareholders. For more information, see "Liquidations and mergers" on page 196.

**Accept securities as payment for shares, or fulfil sale payments with securities (in-kind payments).** If you wish to request a purchase or redemption in kind, you must get advance approval from the management company. You must generally pay all costs associated with the in-kind nature of the transaction (valuation of the securities, broker fees, any required auditors' report, etc.) as well as any entry fees.

Any securities accepted as a payment in kind for a purchase of shares must be consistent with the fund's investment policy, and acceptance of these securities must not affect the fund's compliance with the 2010 law.

If you receive approval for an in-kind redemption, we will seek to provide you with a selection of securities that closely or fully matches the overall composition of the fund's holdings at the time the transaction is processed.

We will deduct from proceeds any entry fee, CDSC, outstanding charges or other amounts owed. Investors who receive securities in-kind redemptions may incur brokerage and/or local tax charges on the sale of the securities. In addition, the net proceeds from the sale of the securities may not correspond to the NAV-based redemption amount due to market conditions and/or the difference between the prices used to calculate the NAV and bid prices received on the sale of the securities.

We may request that you accept securities instead of cash in fulfilment of part or all of a sell request. If you agree to this, the SICAV may provide an independent valuation report from its auditor and other documentation. Such valuation will be conducted in accordance with the professional recommendations of the Institut des Réviseurs d'Entreprises. The value determined, together with the NAV per share calculated for the relevant class of shares, will determine the number of shares to be issued to the incoming shareholder.

If you refuse payment in whole or in part by an in-kind distribution of securities instead of cash, such redemption will be paid in the fund base currency or, if applicable, in the currency of the hedged share class that you intend to redeem.

**Reduce or waive any stated sales charge, or minimum investment amount, for any fund, investor, or request,** especially for investors who are committing to invest a certain amount over time, so long as it is consistent with equal treatment of shareholders. We may also allow distributors to set different minimum investment requirements.

**Calculate a new NAV and reprocess transactions at that NAV.**

If there has been a material change in the market prices affecting a substantial portion of a fund's investments, we may, in order to safeguard the interests of the shareholders and the SICAV, cancel the first valuation and calculate a second one, which will then be applied to all transactions in fund shares for that day. Any transactions that were already processed at the old NAV will be reprocessed at the later NAV.

## Measures to Prevent Improper and Illegal Behaviour

### Money laundering, terrorism and fraud

To comply with Luxembourg laws, regulations, circulars, etc. aimed at preventing crime and terrorism, including money laundering, all investors must provide documentation to prove identity (before opening an account and potentially again at any time afterward). This includes certain information on the identity of beneficial owners, which is provided to Luxembourg authorities and published in Luxembourg's central register of beneficial owners. We also are required to verify the legitimacy of transfers of money that come to us from financial institutions that are not subject to Luxembourg verification standards or the equivalent.

For investors investing directly with the SICAV, we typically request the following types of identification:

- natural persons: an identity card or passport copy duly certified by a public authority (such as a notary, police official or ambassador) in his or her country of residence
- corporations and other entities investing on their own behalf: a certified copy of the entity's incorporation documents or other official statutory document, plus, for the entity's owners or other economic beneficiaries, the identification described above for natural persons
- financial intermediaries: a certified copy of the entity's incorporation documents or other official statutory document, plus certification that the account owner has obtained necessary documentation for all end investors; in some cases we may require further evidence that this documentation is, in our judgment, satisfactory

If we are satisfied that a financial intermediary in a country that honours the conventions of the Financial Action Task Force has adequately documented their clients, we generally do not require the intermediary to collect additional information from their clients, though we reserve the right to do so.

For any investor, we may ask for additional documents at any time if we feel it is necessary, and we may delay or deny the opening of your account and any associated transaction requests (including exchanges and sales) until we receive, and judge to be satisfactory, all requested documents. We will not be liable for any costs, losses, or lost interest or investment opportunities that may result from our requests for such documentation.

### Market timing and excessive trading

The funds are in general designed to be long-term investments and not vehicles for market timing (short-term trading that seeks to take advantage of deficiencies in NAV calculations or from timing differences between market openings and NAV calculations).

Market timing and excessive trading are not acceptable as they may disrupt fund management and drive up fund expenses, to the detriment of other shareholders. We do not knowingly allow any market timing transactions, and we may take various measures to protect shareholder interests, including monitoring for and rejecting, suspending, or cancelling any request we believe represents excessive trading or that we believe may be linked to an investor, group of investors, or trading pattern associated with market timing. We may also impose limits or a redemption fee of up to 2% on specific transactions, with the proceeds payable to the applicable fund(s), or may limit or block your account for future purchases or exchanges, until we receive assurance we consider acceptable that no marketing timing or excessive trading will occur going forward.

With accounts held by intermediaries, the management company considers the volumes and frequencies associated with each intermediary as well as market norms, historical patterns, and the intermediary's asset levels. However, the management company can take any measures it considers appropriate, including asking the intermediary to review its account transactions, set transaction blocks or limits, or terminate the relationship with the intermediary.

## Late trading

We take measures to ensure that any request to buy, exchange, or sell shares that arrives after the cut-off time for a given NAV will not be processed at that NAV.

With a request whose arrival at the transfer agent is delayed due to technical issues or other circumstances beyond the control of the transfer agent or the transmitting party, we may choose to accept the request so long as adequate documentation of the delay is provided.

## Notices and Publications

The following table shows which material (in its most recent version) is made available through which channels. Items in the first six rows are typically available through local agents and financial advisors.

Information/document	Sent	Media	Online	Office
<b>Prospectus, financial reports, the articles</b>			●	●
<b>KIDs</b>			●	●
<b>Shareholder notices<sup>1</sup></b>	● <sup>2</sup>		● <sup>3</sup>	●
<b>NAVs (share prices)</b>		●	●	●
<b>Statements and confirmation note</b>	●			
<b>Dividend announcements</b>	●			●
<b>List of funds with respective sub-investment manager(s)</b>			●	●
<b>Remuneration policy</b>			●	●
<b>Other policies (asset custody, conflicts of interest, best execution, proxy voting, complaints handling, safekeeping, etc.) as well as a current list of sub-custodians</b>				●
<b>Information on past voting of portfolio shares, inducements available to the management company, current distribution agents/nominees, depositary's conflicts of interest related to its duties</b>				●
<b>Information on incidents of swing pricing greater than 2%</b>			●	●
<b>Core agreements (management company, depositary, administrator, investment manager) and benchmark contingency plan</b>				●

<sup>1</sup> Shareholder notices are made available using one or more of described channels.

<sup>2</sup> Only sent if required under the Luxembourg law or by the CSSF or any overseas regulator, or otherwise determined by the board.

<sup>3</sup> This channel is not currently used but may become effective on a future date at the board's discretion, in which case shareholders will be sent a shareholder notice. When such channel becomes available, some shareholder notices might be available online only.

### KEY

**Sent** Sent automatically to all shareholders directly registered in the UCITS's shareholder list at the address of record (physically, electronically, or as an emailed link).

**Media** Published, as required by law or as determined by the board, in newspapers or other media (such as newspapers in Luxembourg and other countries where shares are available, or electronic platforms, such as Bloomberg, where daily NAVs are published), as well as the Recueil Electronique des Sociétés et Associations.

**Online** Posted on [morganstanleyinvestmentfunds.com](http://morganstanleyinvestmentfunds.com).

**Office** Available free of charge upon request from the registered office of the SICAV, and available for inspection at this office as well. Certain items are also available free of charge upon request from the management company, administrator, depositary, and local distributors. The articles are also available free upon request from, and for inspection at, the offices of the Luxembourg Commercial Register.

Shareholder notices include convening notice of shareholder meetings (the annual general meeting and any extraordinary meetings) as well as notices of changes to the prospectus or articles, the mergers or closings of funds or share classes (along with the rationale for the decision), the start and end of suspensions of the processing of shares, and all other items for which notice is required.

Statements and confirmations are sent when there are transactions in your account. Other items are sent when issued.

Audited annual reports are issued within four months of the end of the financial year. Unaudited semi-annual reports are issued within two months of the end of the period they cover. In compliance with any applicable laws, shareholders and third parties may, on request, receive additional information in relation to securities held by the funds.

Neither the SICAV nor the management company is responsible for any error or delay in publication or for inaccurate or non-publication of prices.

Information on past performance, by fund and share class, appears in the applicable KID and on [morganstanleyinvestmentfunds.com](http://morganstanleyinvestmentfunds.com).

# Governance and Management

## The SICAV

### Name and registered office

Morgan Stanley Investment Funds  
European Bank and Business Centre  
6, route de Trèves  
L-2633 Senningerberg, Luxembourg

**Website** [morganstanleyinvestmentfunds.com](https://morganstanleyinvestmentfunds.com)

**Legal structure** Open-ended investment company organised as a *société anonyme* and qualifying as a *société d'investissement à capital variable* (SICAV)

**Legal jurisdiction** Grand Duchy of Luxembourg

**Incorporated** 21 November 1988

**Duration** Indefinite

**Articles of incorporation** Published in the *Mémorial, Recueil des Sociétés et Associations* on 11 January 1989; most recent amendments: 16 December 2015, published in the *Mémorial* 13 January 2016

### Regulatory authority

Commission de Surveillance du Secteur Financier (CSSF)  
283, route d'Arlon  
L-1150 Luxembourg

**Registration number (Luxembourg Trade and Companies Register)** B 29192

**Financial year** 1 January to 31 December

### Minimum capital (under Luxembourg law)

EUR 1.25 million or equivalent in any other currency

**Par value of shares** None

**SICAV reporting currency** USD

**Qualification as a UCITS** The SICAV qualifies as an Undertaking for Collective Investment in Transferable Securities (UCITS) under Part 1 of the 2010 Law and Directive 2009/65/EC, and is registered on the CSSF's official list of collective investment undertakings. The SICAV is also governed by the Law of 10 August 1915 on commercial companies.

**Financial independence of the funds** Each fund corresponds to a distinct portion of the assets and liabilities of the SICAV and is considered to be a separate entity in relation to the shareholders and third parties. This means that, while the SICAV is a single legal entity, within it the assets and liabilities of each fund are segregated from those of other funds; there is no cross-liability, and a creditor of one fund has no recourse to the other funds.

**Co-management of assets** For efficient management, the funds may commingle certain assets and manage them as a single pool. In such a case, the assets of each fund will remain segregated as far as accounting and ownership is concerned, and the allocation of performance and costs is assigned to each fund on a *pro rata* basis. Since such pools are created for internal management purposes only and do not constitute a separate legal entity, they cannot be directly accessed by investors.

Any such asset pool is formed by transferring cash or other assets (subject to such assets being appropriate with respect to the investment policy of the pool concerned) from each of the participating funds. The board may from time to time make further transfers to each asset pool. Assets may also be transferred back to a participating fund up to the amount of its participation.

The share of a participating fund in an asset pool is measured by reference to notional units of equal value in the asset pool. On formation of an asset pool, the board may determine the initial value of notional units (which is expressed in such currency as the board

considers appropriate) and allocates to each participating fund units having an aggregate value equal to the amount of cash (or to the value of other assets) contributed. The value of the notional unit is then determined by dividing the net asset value of the asset pool by the number of notional units subsisting.

Cash contributions are treated for the purpose of this calculation as reduced by an amount which the board considers appropriate to reflect fiscal charges and dealing and purchase costs which may be incurred in investing the cash concerned. In the case of cash withdrawal, a corresponding addition is made to reflect costs which may be incurred in realising securities or other assets of the asset pool.

Dividends, interest and other distributions of an income nature received in respect of the assets in an asset pool are immediately credited to the funds on a *pro rata* basis at the time of receipt. Upon the dissolution of the SICAV, the assets in an asset pool will be allocated to the participating funds on a *pro rata* basis.

Within any pooling arrangement, the depositary ensures that at all times it is able to identify the assets which are owned by each participating fund.

**Complaints handling and dispute resolution** Investors can file complaints free of charge with the distributor or the management company in an official language of their home country. The complaints handling procedure is available free of charge at [morganstanleyinvestmentfunds.com](https://morganstanleyinvestmentfunds.com).

## The board

### Carine Feipel

Independent non-executive Director and Chairwoman  
Luxembourg

### Diane Hosie

Non-executive Director  
UK

### Zoë Parish

Executive Director, Morgan Stanley Investment Management  
UK

### Susanne van Dootingh

Independent non-executive Director  
Belgium

### Arthur Lev

Non-executive Director  
USA

The board is responsible for the overall investment policy, objectives, and management of the SICAV and funds and, as described more fully in the articles, has broad powers to act on behalf of the SICAV and the funds, including:

- appointing and supervising the management company
- setting investment policy and approving the appointment of any investment manager, sub-investment manager, non-discretionary investment adviser, or advisor committee
- making all determinations regarding the launch, modification, merger, split, termination, or discontinuation of funds and share classes, including such matters as timing, pricing, fees, class currency, dividend policy and payment of dividends, liquidation of the SICAV, and other conditions
- determining any restrictions on investment or on borrowing or on the pledging of the SICAV's assets
- determining the approach for risk monitoring, including selecting the appropriate methodology for calculating global exposure method
- selecting any distributor or intermediary for collecting subscription, redemption and conversion orders, and for acting as a nominee

- determining eligibility requirements and ownership restrictions for investors in any fund or share class, and what steps may be taken in the case of any violation
- determining the availability of any share class to any investor or distributor or in any jurisdiction
- determining when and how the SICAV will exercise its rights, including setting any thresholds for processing share redemptions or automatic reinvestment of dividends
- determining when and how the SICAV distribute or publicise shareholder communications
- ensuring that the appointments of the management company and the depositary bank are consistent with the 2010 Law and any applicable contracts of the SICAV
- determining whether to list any shares on the Luxembourg stock exchange

The board may delegate some of these responsibilities to the management company.

The board is responsible for the information in this prospectus and has taken all reasonable care to ensure that it is materially accurate and complete. The prospectus will be updated as required when funds are added or discontinued or when other material changes are made.

Directors serve until their term ends, they resign, or they are revoked, in accordance with the articles. Any additional directors will be appointed in accordance with the articles and Luxembourg law.

Only independent directors (directors who are neither executive directors nor employees of a Morgan Stanley Group entity) are entitled to remuneration (which is non-variable) from the SICAV for their service, as disclosed in the annual report. Each director may also serve as director on the board of one or more collective investment schemes or other management companies that is a Morgan Stanley Group entity or is managed by one.

## Shareholder meetings and voting

The annual general meeting is generally held at the management company's offices in Luxembourg at 10:30 AM CET on the second Tuesday in May each year, or if that is not a business day, then the next bank business day. Other shareholder meetings may be held at other places and times, with appropriate approval and notification.

Written notice of annual general meetings will be provided to shareholders as required by Luxembourg law.

Resolutions concerning the interests of all shareholders generally will be taken in a general meeting. The shareholders of a fund may hold a meeting to decide on any matter that relates exclusively to that fund.

Each share gets one vote in all matters brought before an annual or extraordinary meeting of shareholders. Fractional shares do not have voting rights.

For information on admission and voting at any meeting, refer to the applicable meeting notice.

## Liquidations and mergers

The board may at any time decide to liquidate any share class, any fund or the SICAV itself or merge any fund, particularly if the board believes any of the following is true:

- the value of the net assets of the fund or share class has fallen below a level that does not allow an efficient and rational management
- there has been a notable change in the prevailing economic or political circumstances
- to do so would be in the interests of shareholders

The board may also decide to amend the rights attached to any share class so as to include them in any other existing share class and re-designate the share class(es) concerned as another share class.

Any decision of the board to terminate, merge, split, or liquidate a share class, a fund, or the SICAV will be communicated to shareholders in accordance with Luxembourg law; see the "Notices and Publications" section on page 194.

If an event requiring the liquidation of the SICAV, a fund or share class arises, issue, redemption, exchange or conversion of shares is void.

**Liquidation of a fund or share class** Any share class or fund may be compulsorily liquidated based on either of the following:

- a resolution passed by the board,

- a resolution passed by the general meeting of shareholders of the fund in question, with the quorum and majority requirements being the same as those required to amend the articles

In addition, if none of the above is true, the board must ask shareholders to approve the liquidation. Even if one of the above is true, the board may opt to submit the matter to a shareholder meeting for a vote. In either case, the liquidation is approved if it receives the votes of a simple majority of the shares present or represented at a validly held meeting (no quorum required).

Shareholders whose investments are involved in any liquidation will receive at least one-month advance notice, during which they will generally be able to sell or exchange their shares free of any exit and exchanging charges. The prices at which these sales and exchanges are executed will reflect any costs relating to the liquidation. The board can suspend or refuse these sales and exchanges if it believes it is in the interests of shareholders or is necessary to ensure shareholder equality. At the end of the notice period, any shares still in existence will be liquidated and the proceeds sent to the shareholder at the address of record.

In case of a liquidation, division or merger of a master fund, any feeder fund will be liquidated according to the rules described above.

**Liquidation of the SICAV** The liquidation of the SICAV requires a shareholder vote. Such a vote can be taken at time at a general meeting of shareholders. If it is determined that the SICAV's capital has fallen below two-thirds of legally required minimum capital (under Luxembourg law), or below one-quarter of the minimum set by the articles, then shareholders must be given the opportunity to vote on dissolution at a general meeting held within 40 days of the determination.

Voluntary liquidations (meaning a decision to liquidate that is initiated by shareholders) require a quorum of at least one-half of the capital and approval by at least 2/3 of the votes cast. Otherwise, dissolution will occur if approved by a majority of the shares present and represented at the meeting, or, if the capital is below 1/4 of the minimum set by the articles, by 1/4 of the shares present and represented (no quorum required).

Should it be voted that the SICAV will liquidate, one or more liquidators appointed by the shareholder meeting and duly approved by the CSSF will liquidate the SICAV's assets in the best interest of shareholders and the depositary, upon instruction given by the liquidators, will distribute the net proceeds (after deduction of any costs relating to the liquidation) to shareholders in proportion to their holdings.

At the close of liquidation, the proceeds of liquidation corresponding to shares not surrendered for repayment will be kept in safe custody at the *Caisse de Consignation* until the statute of limitation has lapsed.

Six months after the close of liquidation, amounts that remain uncollected or for which no ultimate beneficial owner can be located will be deposited with the Luxembourg *Caisse de Consignation*, where they will be held in escrow, subject to a fee of 1% per year of their estimated value. The amounts may be refunded upon duly justified request made to the *Caisse de Consignation*.

**Mergers** Within the limits of the 2010 Law, the board may decide to merge any fund with any other fund within the SICAV and to merge any fund, on a domestic or cross-border basis, with a different UCITS. The board is also authorised to approve mergers of other UCIs into the SICAV. The board may also implement other corporate actions in order to consolidate assets within the SICAV or with another UCITS.

In all cases, the board will be competent to decide on the merger. Insofar as a merger requires the approval of the shareholders pursuant to the provisions of 2010 Law, the meeting of shareholders deciding by simple majority of the votes cast by shareholders present or represented at the meeting (no quorum required) is competent to approve the effective date of such a merger. Shareholders themselves may also decide on a merger and its effective date.

Shareholders whose investments are involved in any merger will receive at least one-month advance notice, during which they will be able to sell or exchange their shares free of any exit and exchanging charges. At the end of the notice period, shareholders who still own

shares in a fund and share class that is being merged out of existence will receive shares of the receiving fund of the merger.

**Amending share class rights** The board may decide to amend rights to any share class if any of the first two bullets under “Liquidations and mergers” above is true. This decision allows the board to include such share class in any existing one and rename it. Shareholders whose investments are involved in any such operation will receive at least one-month advance notice, during which they will generally be able to sell, convert or exchange their shares free of any fee.

Amounts from any such operation that cannot be distributed to the shareholders will be deposited in escrow with the *Caisse de Consignation*.

## The Management Company

### Name and registered office

MSIM Fund Management (Ireland) Limited  
24-26 City Quay, Dublin 2, D02NY19, Ireland

**Legal form** Company limited by shares

**Incorporated** 5 December 2017

### Regulatory authority

Central Bank of Ireland  
New Wapping Street  
North Wall Quay  
Dublin  
Ireland

**Companies registration office number** 616661

## Directors

### Eimear Cowhey

Independent non-executive Director  
Ireland

### Michael Hodson

Independent non-executive Director  
Ireland

### Diane Hosie

Non-executive Director  
United Kingdom

### Elaine Keenan

Managing Director, Morgan Stanley Investment Management, CEO and COO of MSIM Fund Management (Ireland) Limited  
Ireland

### Liam Miley

Independent non-executive Director and Chairman  
Ireland

### Ruairi O’Healai

Managing Director, Morgan Stanley Investment Management, COO of Morgan Stanley Investment Management EMEA  
UK

## Responsibilities and delegation

The management company, a member of the Morgan Stanley Group, is responsible for investment management (including portfolio management and risk management) with respect to all funds.

In addition, the management company currently serves in the following roles for the SICAV:

- principal distributor (arranges for the marketing and distribution of the funds in all jurisdictions where distribution is not prohibited)
- domiciliary agent (handles the SICAV’s domiciliation arrangements)

Subject to any relevant approvals, the management company can delegate certain of its functions to qualified third parties so long as it retains supervision, implements appropriate controls and procedures, and maintains the prospectus.

Subject to board’s approval, the management company may, at its own expenses and without affecting its liability to the SICAV, select and rely upon entities that are, or are not, affiliated to Morgan Stanley group for the management of the funds’ portfolios and associated research and expertise (the investment managers and sub-managers referenced in this prospectus). The management company may also select and rely upon entities that are not referenced in this prospectus, but these entities are not allowed to undertake discretionary portfolio management on behalf of any fund.

## Operational Policies

### Calculation of NAV

The SICAV determines the principles of the calculation of the price or net asset value of its shares, which are implemented by the management company on a forward basis.

In general, we calculate the NAV for each share class of each fund on each business day. On business days when markets in which a substantial portion of a fund’s assets trade are not operating (whether the closure is scheduled or unscheduled), we may choose not to calculate a NAV.

Each NAV is calculated in the base currency of the fund and the currency of each relevant share class. Because of differences in, for example, fees, dividend policies, and currency exposures, different share classes of a given fund may have different share prices.

For shares denominated in a different currency from their fund’s base currency, the NAV is first calculated in the base currency. This NAV is then translated into the share class currency, using the mid-market exchange rate in effect at the time the NAV is calculated. NAVs are rounded up or down to the smallest commonly used fractional currency amount.

To calculate NAV for each share class of each fund, we use this general formula:

$$\frac{(\text{assets} - \text{liabilities})}{\text{number of outstanding shares}} = \text{NAV}$$

Appropriate provisions will be made to account for the costs, charges, and fees attributable to each fund and share class as well as accrued income on investments.

The NAV per share calculation is determined in accordance with article 11 of the articles. For more complete information on our NAV calculation methods, see the articles.

The net asset value of the SICAV is at any time equal to the total of the net asset value of the various funds, converted, where necessary, into USD at the last available rate of exchange prevailing in a recognised market at the relevant valuation point.

**NAV calculation currencies** The NAV per share of each class in each fund will be calculated in USD and EUR, and in other currencies for some funds or classes:

Fund	Class	USD	EUR	JPY	GBP
Japanese Equity Fund	All	•	•	•	
Global Brands Fund	A	•	•	•	
Global Brands Fund	Z	•	•		•
Asian Property Fund	Z	•	•		•
Sustainable Emerging Markets Equity Fund	N, Z	•	•		•
US Growth Fund	Z	•	•		•
Global Property Fund	Z	•	•		•
Classes X, M, R and RM		•	•		•

For currency-hedged classes, the NAV is calculated in the share class currency only.

For classes that have a currency indicators in their name, the NAV is calculated in that currency only.

## Asset valuations

In general, we determine the value of each fund's assets as follows. Methods that require calculation are typically performed by independent valuation specialists. Note that for any type of security, we may use fair value methods instead of the method stated here (see description following the bullets).

- **Cash in hand or on deposit, bills and demand notes, accounts receivable, prepaid expenses, cash dividends, and interest declared or accrued but not yet received** Valued at full value, adjusted for any appropriate discount or premium we may apply based on our assessments of any circumstances that make the full payment unlikely.
- **Money market instruments, short-term debt, and liquid assets** Generally valued at market value.
- **Transferable securities that are traded on an official stock exchange or other regulated market** Valued at the last available price quoted on the market where they are principally traded. If the last available price does not reflect a security's fair market value, the security may be valued at a foreseeable sales price (determined prudently according to procedures established by the board).
- **Listed futures and options** Valued at the last available price from the relevant exchange; if a futures or options contract could not be liquidated on the day on which net assets are being determined, the basis for determining its liquidating value will be such value as the board may deem fair and reasonable.
- **Unlisted derivatives:**
  - *Futures and options* Valued using at market value, using internal models by the board applied consistently for each different variety of contracts
  - *Interest rate swaps* Valued at market value, with reference to the applicable rate curve.
  - *Index and financial instrument-related swaps* Valued at market value as determined by reference to the applicable index or instrument.
  - *Inflation rate swaps* Valued at market value, with reference to the applicable inflation rate.
  - *Total return swaps* Valued by reference to the mark to market value based on the market value of the underlying asset.
  - *Credit default swaps* Valued by applying a recognised and transparent valuation method on a regular basis and by reference to the applicable debt instrument.
  - *All other unlisted derivatives* Valued on the basis of the reasonably foreseeable sales price determined prudently and in good faith pursuant to procedures established by the board.
- **Shares/units of UCITS or UCIs** Valued at the most recent NAV reported by the UCITS/UCI, adjusted for any redemption fee or, if no current NAV is available, valued at the last available or estimated NAV.
- **Currencies** Valued at the last available exchange rate prevailing in a recognised market (applies to currencies held as assets, to hedging positions, and when translating values of securities denominated in other currencies into the base currency of the fund).
- **Unlisted securities and all other assets** Valued on the basis of the reasonably foreseeable sales price determined prudently and in good faith pursuant to procedures established by the board.

**Fair value** At its discretion, the management company or an investment manager, in consultation with the depositary, may value any asset at fair value (a prudent estimate of near-term liquidation value) when it believes any of the following is true:

- it is not possible to calculate with accuracy or confidence using the usual method
- unusual market conditions exist
- the latest available prices no longer reflect accurate values
- the values from usual sources and methods are not current or accurate, or are unavailable

All fair value calculations must be conducted using methodologies approved by the board. Any valuations the fund arrives at by legitimate methods may differ from quoted or published prices or may be materially different from what the fund is actually able to realise as a sale price.

**Valuation methodologies** All valuation methodologies (including fair value) are established periodically by the board and the management company in good faith, and use auditable valuation principles.

For securities that trade on a secondary market whose price reflects market conditions, the valuation may be based on this secondary market. For difficult to value securities, such as private equities, we may engage independent experts to help with valuation.

For assets with a known short-term maturity date, the valuation will be determined using an amortised cost method. This involves valuing an investment at its cost and thereafter assuming a constant amortisation to maturity of any discount or premium, regardless of the impact of fluctuating interest rates on the market value of the investments. While this method provides certainty in valuation, it may result in periods during which value, as determined by amortised cost, is higher or lower than the price the relevant fund would receive if it sold the investment. The board will continually assess this method of valuation and recommend changes, where necessary, to ensure that the funds' investments will be valued at their fair value as determined in good faith by the board. If the board believes that a deviation from the amortised cost per share may result in material dilution or other unfair results to shareholders, it will take corrective action to eliminate or reduce, to a reasonable extent, the dilution or unfair results. Any assets holding expressed in a different currency than the reference currency will be translated into the reference currency at the last available rate of exchange prevailing in a recognised market at the valuation point.

For any asset, the management company can designate a different valuation method if it believes that method may result in a fairer valuation. For more information on our asset valuation methods, see the articles.

## Conflicts of interest

The management company and the investment managers undertake business for other clients. The investment managers, their employees and their other clients face conflicts with the interests of the management company and its clients. The management company and the investment managers maintain conflicts of interest policies. It is not always possible for the risk of detriment to a client's interests to be entirely mitigated such that, on every transaction when acting for clients, a risk of detriment to their interests does not remain. The management company and the investment managers acknowledge that there may be some situations where the organisational or administrative arrangements in place for the management of conflicts are not sufficient to ensure, with reasonable confidence, that risks of damage to the interests of the SICAV or its shareholders will be prevented. Should any such situations arise, the management company will disclose these to shareholders in the SICAV's annual report or other appropriate format.

**Conflict scenarios** Because the investment managers or their affiliates may manage assets for other investment companies, pooled investment vehicles, and/or other accounts (including institutional clients, pension plans and certain high net worth individuals), there may be an incentive to favour one of their clients over another resulting in potential conflicts of interest. For instance, the relevant investment manager or its affiliates may receive fees from certain accounts that are higher than the fee it receives for a particular fund, or it may receive a performance-based fee on certain accounts. In those instances, the portfolio manager(s) may have an incentive to favour the higher and/or performance-based fee accounts over a particular fund. In addition, a potential conflict of interest could exist to the extent such investment manager or its affiliates has proprietary investments in certain accounts, where portfolio managers have personal investments in certain accounts or when certain accounts are investment options in the investment manager's and/or its affiliates employee benefits and/or deferred compensation plans. The relevant portfolio manager may have an incentive to favour these accounts over others. If the investment managers and/or one of their affiliates manages accounts that engage in short sales of securities of the type in which a fund invests, the investment managers and/or their affiliates could be seen as harming the performance of the relevant fund for the benefit of the accounts engaging in short sales if the short sales cause the market value of the securities to fall.

Neither the management company, nor the investment managers or other affiliates, will be liable to account to the SICAV for any profit, commission or remuneration made or received from, or by reason of, transactions or any connected transactions and none of their fees will be adjusted (unless otherwise provided), provided that the management company and the investment managers (where applicable) will ensure that:

- such transactions are effected on terms which are not less favourable to the SICAV than if the potential conflict had not existed
- such transactions are on arm's length terms
- the management company uses due care in the selection of brokers or dealers and that they are suitably qualified in the circumstances
- the fee or commission paid to any such broker or dealer in respect of a transaction must not be greater than that which is payable at the prevailing market rate for a transaction of that size and nature;
- the management company monitors such transactions to ensure compliance with its obligations
- the nature of such transactions and the total commissions and other quantifiable benefits received by such broker or dealer are disclosed in the SICAV's annual report

The management company may pay third parties for distribution and related services. Such payments could incentivise third parties to promote the SICAV to investors against that client's best interests. The management company complies with all legal and regulatory requirements in the jurisdictions in which such payments are made. The investment managers also may utilise an affiliated broker/dealer to execute a portion, and on occasion to execute a substantial portion, of the purchases and sales of securities for the portfolio of a fund. Primary consideration will be given to such broker/dealer's ability to effect prompt and efficient executions at competitive rates. The investment managers will only utilise an affiliated broker/dealer where it believes it is able to obtain best execution at competitive commission rates. An affiliated broker/dealer may also furnish to the investment managers research and related services. The investment managers may purchase securities from underwriters, distributors or placement agents in which an affiliate is a member of a syndicate or selling group, as a result of which an affiliate might benefit from the purchase through receipt of a fee or otherwise. The investment managers will not purchase securities from an affiliate that is acting as a manager of a syndicate or selling group. Purchases by the investment managers from an affiliate acting as a distributor or placement agent must meet the requirements of applicable law. Otherwise, the investment managers will not engage in any purchase or sale with an affiliate on a principal basis except as set forth below.

**Other potential conflicts of interest** As part of the normal course of global custody business, the depositary may from time to time have entered into arrangements with other clients, funds or other third parties for the provision of safekeeping and related services. Within a multi-service banking group such as Morgan Stanley, from time to time conflicts may arise between the depositary and its safekeeping delegates, for example, where an appointed delegate is an affiliated group company and is providing a product or service to a fund and has a financial or business interest in such product or service or where an appointed delegate is an affiliated group company which receives remuneration for other related custodial products or services it provides to the funds, for instance foreign exchange, securities lending, pricing or valuation services. In the event of any potential conflict of interest which may arise during the normal course of business, the depositary will at all times have regard to its obligations under applicable laws including Article 25 of the UCITS Directive. Securities lending transactions may be entered into on normal commercial terms with entities which are affiliates of the investment manager. In particular, the funds have entered into securities lending arrangements with the depositary, to participate in the securities lending programme operated by the depositary, under normal commercial terms. From time to time, affiliates of the investment manager (including but not limited to Morgan Stanley & Co. International PLC) may be named as approved borrowers to which the depositary could lend securities on behalf of the funds under the securities lending programme.

The above is not necessarily a comprehensive list of all potential conflicts of interest.

The management company conflict of interest policy is available at [morganstanleyinvestmentfunds.com](https://www.morganstanleyinvestmentfunds.com).

## Remuneration

The management company has implemented a remuneration policy that is designed not to encourage risk-taking that is inconsistent with the objective and risk profile of the funds, or with the values and interests of the SICAV's shareholders, while at the same time not impairing the management company from fulfilling its duty to act in the best interest of the SICAV and its shareholders.

The remuneration policy:

- supports a performance culture that is based on merit — the assessment of performance is set in a multi-year framework that aligns with holding periods recommended to shareholders and the actual payment of performance-based components of remuneration is spread over the same period
- differentiates and rewards excellent performance, both in the short and long term
- balances fixed and variable compensation to appropriately reflect the value and responsibility of the role performed day to day, and to influence appropriate behaviours and actions
- requires that compensation decisions for employees in independent control functions be determined by a control division's senior management, so that these decisions will be wholly independent of the business areas
- is consistent with, and promotes, effective risk management practices, including with regard to sustainability risks
- is consistent with Morgan Stanley's conflict of interest policy and more broadly with Morgan Stanley's compliance and control culture

The directors of the management company are responsible for ensuring that the policy is applied to all management company staff and for reviewing the policy every year. The current remuneration policy is available at [morganstanleyinvestmentfunds.com](https://www.morganstanleyinvestmentfunds.com).

## Best execution

The management company must act in the best interests of each fund when executing decisions to deal on behalf of the relevant fund. The management company's best execution policy sets out the basis upon which the management company, and the investment manager on its behalf, will effect transactions and place orders in relation to the funds to obtain the best possible result for the SICAV. The investment manager's best execution policy sets out the systems and controls that have been put in place and the oversight carried out by the investment manager to ensure that notwithstanding any delegation to the sub-investment managers, who may be non-EU entities, they undertake transactions to achieve the best result for the relevant funds. All transactions carried out by or on behalf of the fund must be executed at arm's length and in the best interests of the shareholders.

## Payment for investment research

Any third party research received in connection with investment management and investment advisory services that the management company or the investment manager provides to the funds (other than research that qualifies as a minor non-monetary benefit) will be paid for by the management company or the investment manager out of its own resources.

Where possible, the sub-investment managers will also pay for any third party equity research received by them in connection with the sub-investment advisory services that they provide to the relevant fund(s) (other than research that qualifies as a minor non-monetary benefit) out of their own resources. However, to the extent the sub-investment managers receive third party research other than equity research, or where research is received in a market that does not support the separation of execution commissions from research payments, they will implement systems and controls to ensure that the receipt of such research does not influence order routing and best execution decisions or give rise to conflicts of interest that risk detriment to the relevant fund(s) and their investors.

## Benchmarks Regulation

Under the so-called Benchmarks Regulation (Regulation (EU) No 2016/1011 of the European Parliament and of the Council of 8 June 2016), any benchmarks the funds use (within the meaning of the regulation), including elements of composite benchmarks, must be appropriately registered with the European Securities and Markets Authority (ESMA). For index providers based in the EU, or in a non-EU country recognised as equivalent for registration purposes, the registration must be at the provider level.

The SICAV, in coordination with the management company, maintains written contingency plans for how it would address situations where a benchmark ceases to be offered or to be covered by registration, or where, either through changes in a benchmark or a fund, an existing benchmark ceases to be appropriate. In some cases, the response may involve a change to a fund's strategy or investment policy, or the merger or termination of the fund, particularly if the benchmark index is changed. Details are available free of charge upon request at the registered office of the SICAV. Details of the relevant benchmarks, the benchmark administrator and registration status of the benchmark administrator are set out below:

Fund	Benchmark	Benchmark Administrator	Benchmark or benchmark administrator status
Morgan Stanley Investment Funds Parametric Commodity Fund	Barclays Commodity Index 1754	Barclays Bank PLC	Not listed in the ESMA register. Usage permitted during the transitional period under the art. 51 of the Benchmarks Regulation

## Fund Fees and Costs

In general, fees that tend to vary from one fund to another are presented in "Fund Descriptions". Fees that remain consistent for a given share class are presented above in the "Base class characteristics" table. Minor fees and expenses that are deducted directly from fund assets, are presented here, along with further information about the fees and costs presented elsewhere. Unless otherwise noted, these fees are accrued daily and paid each month in arrears.

The fees paid to the management company are set in advance and for each respective fee the management company agrees to provide all contractually required services, absorbing any excess costs and retaining any excess revenues. The management company may instruct the SICAV to pay a proportion of any fees, costs or expenses directly out of the funds' assets to any service providers.

Fees and expenses that are charged to a share class result in a reduction of the assets of that share class. It also reduces the fund's assets and potential for capital growth.

In the case of any individual fund or class, the management company or any investment manager may choose to waive or rebate (to the investors) all of their fees and charges or any portion thereof at their absolute discretion for an indefinite period. The management company or any person acting on its behalf or on behalf of the SICAV may not obtain an incentive allocation or commission on any fees or charges levied by an underlying scheme or its management company, or any quantifiable monetary benefits in connection with investments in any underlying fund.

All SICAV's fees, costs and expenses are payable monthly in arrears and calculated on the average daily net assets (before the deduction of any fees, costs and expenses).

The allocation of costs and expenses to be borne by the SICAV across its funds and share classes are being made in accordance with article 11 of the articles.

### Fees disclosed in "Fund Descriptions"

All fees below may be changed at any time with one-month advance notice.

**Maximum entry fees** These fees are described for each fund in "Fund Descriptions". Some types of shares have an entry fee. No shares have a redemption fee *per se*. While no shares have a redemption fee *per se*, some do have a contingent deferred sales charge (CDSC) on shares sold within a certain amount of time of buying them.

Entry fees are paid to the management company or to the relevant distributor through which the initial purchase was made. For classes A, C, I, and Z shares, the management company may sell shares or may authorise distributors to sell shares with a lower initial entry fee than those listed in "Fund Descriptions" if a local law or practice requires or permits such practice.

Class N shares have no entry fee, but when investing through a Morgan Stanley Group entity, investors may pay that entity a performance and/or management fee.

There may be an entry charge related to an exchange. To understand what the actual charges would be for any purchase or exchange, consult your financial advisor or contact us as shown on page 3.

**Management fee** This annual fee is paid to the management company. Out of this fee, the management company pays the investment manager and the distributors, and may pay other delegates or service providers as well. The investment manager uses the money it receives from the management company to pay the sub-investment managers.

The management fee may be charged at different rates for individual funds and share classes within a fund.

For Class N shares, eligible investors may pay to the management company or its affiliates a base management fee, a performance fee or a mixture of both fees.

The management company may negotiate or pay back a portion of the management fees in a private arrangement with a holder or prospective holder of shares.

**Administration fee** Out of this annual fee, the management company pays for the services provided by the administrator, depositary, registrar, transfer agent, and paying agent, as well as for legal services and its own services.

Specifically this fee covers numerous fees and expenses, such as:

- administration, domiciliary, and fund accounting services
- depositary and safekeeping fees
- auditors and legal advisers
- collateral management fees
- ongoing registration fees and other expenses due to supervisory authorities in various jurisdictions
- insurance interest
- formation expenses
- shareholder notifications, including the publication of NAVs
- costs associated with the required collection, reporting, and publication of data about the SICAV, its performance, investments and shareholders
- licensing fees
- fees related to listing fund shares on an exchange
- fees of independent directors and expenses for all board members, such as travel and out-of-pocket expenses
- fees of paying agents, transfer agents, and authorised country representatives
- documentation costs, such as preparing, printing, translating, and distributing the prospectus, Key Information Documents, and shareholder reports
- consulting fees

This fee does not exceed 0.25% per year of the fund's average net asset value.

The administration charge may generate a surplus or a loss for the management company who may retain surpluses but will not seek to recover losses.

For class N shares, the rate is 0.10%. See "Fund Descriptions" for the other share classes.

In certain jurisdictions, where subscriptions, redemptions and conversions are made through a an intermediary, additional fees and charges may be imposed by that intermediary. These may be charged to the local investor or to the SICAV, and paid out of the administration fee.



**Distribution fee** For class B shares, this fee is paid to the management company in its capacity as main distributor. The management company may use this fee to pay any local distributors or other agents as contractual agreements may require. Distribution fees on class B shares are not used to subsidise the sale of any other share classes.

See also information on alternative sales charge arrangements below.

**Contingent deferred sales charge (CDSC)** The CDSC charge is designed to finance the distribution of class B and C shares through the management company and distributors without an intermediary mark-up or entry fees assessed at the time of purchase.

The calculation is determined in a manner that results in the lowest possible rate being charged. Therefore, it is assumed that, unless otherwise specified, any redemption is applied to class B and C shares held longest by the shareholder. The rate will be determined based on the fund in which the shareholder's subscription was first made. A share exchange from one fund to another does not affect the initial purchase date nor the rate to be applied upon redemption for the purposes of calculating the CDSC.

The management company will waive any applicable CDSC which may be payable on the redemption of shares where a redemption is effected pursuant to the right of the management company to liquidate a shareholder's account or on the redemption of distributing class B and C shares which result from the automatic reinvestment of dividends.

The management company may also waive all or part of any applicable CDSC at its discretion.

In addition, the management company allows investors in class B and C to select the fee method that is the most beneficial to them depending on factors such as the invested amount and expected holding period. These investors then can choose either the CDSC, plus distribution fee, mechanism or an entry fee (alternative sales charge arrangements).

**Emerging market custody fee** This fee is paid to the depository and applies only to funds with significant investments in emerging markets, which in general have higher custody costs and often require the services of a sub-custodian.

**Hedging fee** A maximum 0.03% is deducted from each hedged share class for the applicable hedging activities and is paid to the administrator for hedging services.

## Other fees

**Maximum conversion fees** The management company may apply a fee up to 2% when it considers that the shareholder has engaged in trading practices which adversely affect the interests of the other fund shareholders or where it is otherwise appropriate to protect the interest of the SICAV and its shareholders. The fee is retained for the benefit of continuing shareholders of the relevant fund.

## Other expenses

The following expenses are not part of the fees described above and are deducted directly from SICAV assets. The amounts of most of these expenses cannot be known in advance:

- brokerage fees and commissions, interest or taxes payable, accounted for on a cash basis and are paid when incurred or invoiced from the net assets of the fund to which they are attributable
- banking fees
- duties, taxes, and incidental transaction costs associated with buying and selling fund assets
- interest on borrowing and bank charges incurred in negotiating borrowing securities lending fees
- litigation expenses
- any extraordinary expenses or other unforeseen charges
- portfolio hedging and other efficient portfolio management costs
- fees and expenses from investments in other funds

- any fees payable to the proxy voting adviser and any other agencies, firms, or other institutions the management company engages solely for the purpose of complying with laws and regulations
- the Luxembourg *taxe d'abonnement* and any other taxes or levies on the SICAV's assets or income; see page 189

All expenses that are paid from shareholder assets are reflected in NAV calculations, and the actual amounts paid are documented in the SICAV's annual reports.

Recurring expenses will be charged first against current income, then against realised capital gains, and lastly against capital.

Each fund and share class pays all costs it incurs directly and also pays its *pro rata* share (based on net asset value) of costs not attributable to a specific fund or share class. For each share class whose currency is different from the base currency of the fund, all costs associated with maintaining the separate share class currency (such as currency hedging and foreign exchange costs) will be charged solely to that share class to the extent practicable.

Ongoing expenses are calculated each business day for each fund and share class.

## Professional Firms Serving the SICAV

The management company and various professional firms are engaged through service agreements that extend for an indefinite period. A holder of any of these service agreements can resign or be replaced by the board (upon 90 days' notice in case of the management company and the depository). Regardless of the circumstances of termination, any professional firm must cooperate fully with a transition of its duties, consistent with its service agreement, its duties under law, and the instructions of the board.

The management company can appoint one or more investment managers to handle the day-to-day management of fund assets. The management company, investment managers (subject to the management company approval) and sub-investment managers (subject to the management company or investment manager approval) may appoint Morgan Stanley group entities for investment information, recommendations and research concerning investments.

Subject to the approval of the management company and the CSSF, an investment manager may in turn appoint one or more sub-investment managers. The names and addresses of the entities that currently have appointments as sub-investment managers appears below.

The management company must require any delegated entity to comply with the prospectus, articles, and other applicable provisions when servicing the SICAV.

The management company can also appoint various delegates, including distributors, to market and distribute fund shares in any jurisdiction where the shares are approved for sale. The duties of the distributors may include passing the subscription, redemption and conversion orders to the SICAV's central administration in Luxembourg. The distributors may not offset the orders received or carry out any duties connected to the individual processing of the subscription, redemption and conversion orders. In addition, any investor may deal directly with the management company in order to subscribe for, redeem or convert shares.

The investment managers, investment sub-managers, and all service providers and delegates engaged by the management company have agreements to serve for an indefinite period and must provide periodic reports relating to their services. The management company may terminate any of these agreements and/or appoint new entities in accordance with the terms of the relevant agreement.

## Depository

### JP Morgan SE, Luxembourg Branch

6, route de Trèves  
L-2633 Senningerberg, Luxembourg

The depository provides such services as:

- providing safekeeping of the assets of the SICAV (custody of assets that can be held in custody and ownership verification and recordkeeping of other assets)
- oversight duties designed to ensure that the activities defined in the depository bank and principal paying agent agreement are carried out in accordance with the board's instructions and, above all, with the 2010 Law and the articles; these activities include the calculation of NAV, the issue, redemption and cancellation of fund shares, and the receipt and allocation of income and revenues to each fund and share class, among others
- carrying out, or where applicable, causing any sub-custodian or other custodial delegate to carry out the instructions of the SICAV or the management company (unless they conflict with the applicable law or the articles)
- ensuring the in-time execution of transactions involving the assets of the SICAV
- cash flow monitoring
- ensuring that buying and selling requests are carried out within the usual time limits and in accordance with the applicable law and articles

The depository acts independently from the SICAV and the management company and solely in the interest of the SICAV and its shareholders. It must use reasonable care in exercising its functions and is liable to the SICAV and shareholders for any losses that result from failing to properly perform its duties, as defined in the depository and principal paying agent agreements. After exercising all due skill, care and diligence as required by law, it may entrust assets to third party financial institutions (such as banks or clearing houses) that have an adequate standard of protection, but this will not affect its liability except as permitted by the 2010 Law and the depository principal paying agent agreement. Up-to-date information on sub-custodians is available at [am.jpmorgan.com/gb/en/asset-management/per/funds/administrative-information/list-of-subcustodians/](http://am.jpmorgan.com/gb/en/asset-management/per/funds/administrative-information/list-of-subcustodians/).

Where the law of a third country requires that certain investments be held in custody by a local entity but no local entities satisfy the delegation requirement, the depository may nevertheless delegate to a local entity so long as the SICAV has informed investors and has given the depository appropriate instructions.

The depository is not allowed to carry out activities with regard to the SICAV that may create conflicts of interest between the SICAV, the shareholders, and the depository itself (including its service providers), unless it has properly identified any such potential conflicts of interest, has functionally and hierarchically separated the performance of its depository tasks from its other potentially conflicting tasks, and the potential conflicts of interest are properly identified, managed, monitored, and disclosed to the SICAV and its shareholders.

Up-to-date information on the identity of the depository, a description of its duties and of conflicts of interests that may arise, a description of any delegated functions and any thereto related conflicts of interest may be obtained by the investors at the registered office of the SICAV upon request.

## Administrator and principal paying agent

### JP Morgan SE, Luxembourg Branch

6, route de Trèves  
L-2633 Senningerberg, Luxembourg

The administrator handles the administrative work required by law and the articles, such as calculating NAVs, and keeping the books and records of the funds and the SICAV.

The principal paying agent executes all incoming and outgoing payments for the SICAV in connection with transactions in fund shares. It also arranges for additional paying agents to execute the payment of dividends, and arranges for the compensation and expense reimbursement of these paying agents.

## Registrar and transfer agent

### CACEIS Investor Services Bank S.A.

14, Porte de France  
4360 Esch-sur-Alzette, Luxembourg

The registrar and transfer agent provides such services as maintaining the SICAV's register of shareholders, opening and closing accounts, processing requests for transactions in fund shares, and providing documentation of these transactions to shareholders.

## Investment manager

### Morgan Stanley Investment Management Limited

25 Cabot Square, Canary Wharf  
London E14 4QA, UK

The investment manager is responsible for performing or supervising the day-to-day investment activities of the funds.

The investment manager is authorised to select agents, brokers and dealers through whom to execute transactions and provides the management company with reports in relation to such activities.

The investment manager may delegate any of its responsibilities to third party or affiliated sub-investment managers, subject to approval by the management company and the CSSF, but the investment manager remains responsible for the performance of sub-investment managers.

## Sub-investment manager(s)

The sub-investment managers perform the day-to-day investment activities of the funds, and are authorised to purchase and sell securities as agent of the investment manager, and select agents, brokers and dealers through whom to execute transactions.

The sub-investment managers may delegate any of their responsibilities to delegates when expressly authorised by the relevant agreement, subject to the investment manager and CSSF's approval. In such case, the investment manager remains responsible for the performance of such parties.

Subject to the investment manager or the management company's approval, a sub-investment manager may, at its own expense and without affecting its liability, select and rely upon affiliated Morgan Stanley group entities and any of the sub-investment managers for non-discretionary investment advice, research and associated expertise (the non-discretionary investment adviser). The investment sub-manager will at all times remain solely in charge of making investment decisions.

For the list of the funds with their respective investment managers, sub-investment managers and non-discretionary investment advisers, go to [morganstanley.com/im](http://morganstanley.com/im), [morganstanleyinvestmentfunds.com](http://morganstanleyinvestmentfunds.com) or consult the last annual or semi-annual report.

### Atlanta Capital Management Company, L.L.C.

1075 Peachtree Street NE, Suite 2100  
Atlanta, GA 30309, USA

### Calvert Research and Management

1825 Connecticut Avenue NW, Suite 400  
Washington, DC 20009, USA

### Eaton Vance Advisers International Ltd.

125 Old Broad Street  
London, EC2N 1AR, UK

### Eaton Vance Management

2 International Place, Suite 1400  
Boston, MA 02110, USA

### Morgan Stanley Investment Management Inc

1585 Broadway  
New York, NY 10036, USA

Although Morgan Stanley Investment Management Inc. is registered with the US Commodity Futures Trading Commission (CFTC) as a commodity trading adviser, it provides commodity-related trading advice to the funds as if it were exempt from registration, based on an exemption under CFTC Rule 4.14(a)(8). No other Morgan Stanley Group entity that provides services to the funds is so registered or relies on the same exemption.

**Morgan Stanley Investment Management Company**

23 Church Street  
16-01 Capital Square  
049481, Singapore

**Morgan Stanley Asia Limited**

Level 46, International Commerce Centre  
1 Austin Road West  
Kowloon, Hong Kong

**Morgan Stanley Saudi Arabia**

Al Rashid Tower, Floor 10  
Al Ma'ather Street, PO Box 66633  
Riyadh, 11586, Saudi Arabia

**Morgan Stanley Investment Management (Australia) Pty Limited**

Level 61, Governor Phillip Tower  
1 Farrer Place  
NSW 2000 Sydney, Australia

**Mitsubishi UFJ Asset Management (UK) Limited**

24 Lombard Street  
EC3V 9AJ London, UK

**Mitsubishi UFJ Asset Management Co., Ltd.**

1-9-1 Higashi-Shinbashi, Minato-ku  
Tokyo, Japan

**Parametric Portfolio Associates, LLC**

800 Fifth Avenue, Suite 2800  
Seattle, WA 98104, USA

**Domiciliary agent****Morgan Stanley Investment Management (Ireland) Limited, Luxembourg branch**

6B, route de Trèves  
L-2633 Senningerberg, Luxembourg

The domiciliary agent maintains the SICAV's status as a Luxembourg-domiciled SICAV.

**Lending agent****JP Morgan SE, Luxembourg Branch**

6, route de Trèves  
L-2633 Senningerberg, Luxembourg

The SICAV has entered into securities lending arrangements with the lending agent to participate in the securities lending programme operated by the lending agent, under normal commercial terms.

**Securities lending counterparty****JP Morgan Chase Bank N.A.**

383 Madison Avenue  
New York, NY 10179, USA

The securities lending counterparty is the exclusive principal borrower and counterparty for securities lending transactions, and acts as securities lending principal of the funds.

**Legal advisor****Arendt & Medernach S.A.**

41A, avenue J.F. Kennedy  
L-2082 Luxembourg

**Auditor****Ernst & Young S.A.**

35E, avenue J.F. Kennedy  
L-2082 Luxembourg

The auditor provides independent review of the financial statements of the SICAV and all funds once a year.

# Country-Specific Information

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## Additional Information for UK Investors

### General

This section should be read in conjunction with the prospectus, of which it forms part. References to the prospectus are to be taken as references to that document as supplemented or amended hereby.

The SICAV is a recognised collective investment scheme for the purposes of Section 264 of the Financial Services and Markets Act 2000 (FSMA) of the United Kingdom. The prospectus is distributed in the United Kingdom by or on behalf of the SICAV and is approved by Morgan Stanley Investment Management Limited, whose registered office is at 25 Cabot Square, Canary Wharf, London, E14 4QA. Morgan Stanley Investment Management Limited is regulated by the Financial Conduct Authority (FCA), and is an authorised person for the purposes of Section 21 of the FSMA. The registered office of the SICAV is at European Bank and Business Centre, 6B route de Trèves, L-2633 Senningerberg, Grand Duchy of Luxembourg.

Morgan Stanley Investment Management Limited is acting for the SICAV in relation to the prospectus and matters relating thereto and it or any of its associates may have an interest or position in shares of the SICAV.

It is not acting for, or advising or treating as its customer any other person (unless other arrangements apply between Morgan Stanley Investment Management Limited and such person) in relation to investment in the SICAV.

### Important

A United Kingdom investor who enters into an investment agreement with the SICAV to acquire shares in response to the prospectus will not have the right to cancel the agreement under the cancellation rules made by the Financial Conduct Authority in the United Kingdom. The agreement will be binding upon acceptance of the order by the SICAV.

The SICAV does not carry on any regulated activity from a permanent place of business in the United Kingdom and United Kingdom investors are advised that most of the protections afforded by the United Kingdom regulatory system will not apply to an investment in the SICAV. Shareholders in the SICAV may not be protected by the Financial Services Compensation Scheme established in the United Kingdom.

Morgan Stanley Investment Management Limited provides the following facilities to United Kingdom investors at 25 Cabot Square, Canary Wharf, London, E14 4QA:

- arrangement for the payment of dividends in respect of shares in certificated form, if any, and for the payment of redemption or repurchase proceeds
- during normal business hours on any week day (Saturday and public holidays excepted), the inspection, free of charge and the supply of copies, if required, of the following in English:
  - the prospectus
  - the Articles of Incorporation of the SICAV
  - the KID
  - the most recently published audited annual reports and the unaudited semi-annual reports
  - notices which have been given or sent to investors
  - the NAV of each class of shares on each business day
- the receipt of complaints for forwarding to the SICAV

Potential investors should note that the investments of the SICAV are subject to normal market fluctuations and other risks inherent in investing in shares and other securities, in addition to the additional risks associated with investment in certain of the funds, as described under the sub-sections “Investment Objectives and Policy” and “Main Risks”.

The value of investments and the income from them, and therefore the value of, and income from, the shares of each class can go down as well as up and an investor may not get back the amount he invests. Changes in exchange rates between currencies may also cause the value of the investment to diminish or increase.

Shareholders may view the NAV on the SICAV's website ([morganstanleyinvestmentfunds.com](http://morganstanleyinvestmentfunds.com)).

### UK taxation

The following information is based on the law in force in the United Kingdom (UK) and HM Revenue & Customs published practice understood to be applicable on the date of this supplement, is subject to changes therein and is not exhaustive. Unless expressly stated otherwise, it is intended to offer guidance only to UK resident, and (in the case of individuals) domiciled investors holding shares as an investment as the absolute beneficial owners thereof on the UK taxation of the SICAV and such investors, but does not constitute legal or tax advice. The following summary is not a guarantee to any investor of the taxation results of investing in the SICAV and may not apply to certain categories of investors.

The rates, bases and levels of, and any relief from, taxation can change. Tax treatment depends on the individual circumstances of the investor, and investors and prospective investors should inform themselves of, and where appropriate take advice on, the tax consequences applicable to the subscription, purchase, holding, disposal and redemption of shares and the receipt of distributions (whether or not on redemption) in respect of such shares in the country of their citizenship, residence or domicile and any other country in which they are liable to taxation.

### The SICAV

It is the intention of the board to conduct the affairs of the SICAV so that it does not become resident in the UK for taxation purposes. Accordingly, and provided that the SICAV does not carry on a trade in the UK (whether or not through a permanent establishment situated therein), the SICAV will not be liable to UK income tax or corporation tax on its income or gains earned on or derived from the SICAV's investments save for tax on certain income deriving from a UK source, for example, interest with a UK source (UK tax on this interest potentially being levied by withholding at source).

### UK resident shareholders

Individual shareholders that are resident in the UK for taxation purposes may, subject to their personal circumstances, be liable to UK income tax in respect of any dividends paid by the SICAV or any other income distributions made by the SICAV (whether or not reinvested and including undistributed reported income under the reporting fund regime). Individual investors should also refer to the section on anti-avoidance provisions below on page 205. Investors who are within the charge to UK corporation tax in respect of shares

in the SICAV will generally be exempt from corporation tax on dividends and other income distributions, unless the bond fund rules (described below) or other anti-avoidance provisions apply.

UK individual shareholders are not charged to UK income tax in respect of the first £1,000 of dividend income received in a tax year, which is taxed at a nil rate.

A UK resident investor's liability to UK income tax or UK corporation tax in respect of income distributions made by the SICAV may be adjusted for a number of reasons, in particular as a result of equalisation arrangements if such investor subscribes for shares otherwise than at the beginning of a period over which distributions are calculated.

Investors should note that special rules apply to certain categories of taxpayer, including insurance companies, pension schemes, investment trusts, authorised unit trusts, open-ended investment companies, charities and certain governmental bodies, among others.

## Taxation of investors in bond funds

A fund is considered a bond fund for UK taxation purposes if the market value of its qualifying investments (as detailed below) at any time exceeds 60% of the market value of all its investments. Given the current structure and investment objectives of certain funds, these rules are likely to be relevant to certain classes of shares in certain funds.

Qualifying investments are: (a) money placed at interest (other than cash awaiting investment); (b) securities (other than shares in a company); (c) shares in a building society; (d) qualifying holdings in a unit trust scheme, an offshore fund or an open-ended investment company (this can be interpreted as a holding in a unit trust, offshore fund or OEIC which itself fails, at that time or at any other time in the relevant accounting period, the non-qualifying investment test (as set out above) in respect of its holdings of investments; (e) alternative finance arrangements; (f) derivative contracts in respect of currency or any of the matters listed in (a) to (e) above; (g) contracts for differences relating to interest rates, creditworthiness or currency; and (h) derivative contracts not within (f) or (g) where there is a hedging relationship between the derivative contract and an asset within (a) to (d) above.

An individual resident in the UK for taxation purposes who holds shares of a bond fund will be taxed on dividends from that bond fund as if that payment was a payment of interest. These rules may apply to a dividend received by UK resident investor from a bond fund notwithstanding that it may have divested of its holding at the date it receives the dividend.

A company resident in the UK for taxation purposes which is within the charge to UK corporation tax, and which holds shares of a bond fund will be taxed on a fair value basis for each year of its investment as if its interest in the relevant shares was a right under a creditor loan relationship. These rules will apply to a UK resident corporate investor if the 60% limit is exceeded at any time during that investor's accounting period, even if it was not holding shares of that class at that time.

## "Reporting fund" status

On the basis that the SICAV provides arrangements for the separate pooling of the contributions of investors to the SICAV and the profits or income out of which payments are made to investors in the SICAV, the SICAV is an umbrella fund for United Kingdom tax purposes. In addition, all of the funds within the SICAV consist of different classes of shares. The United Kingdom offshore funds rules therefore apply in relation to each separate class of shares within each fund, as if each class of shares in each fund formed a separate offshore fund for United Kingdom tax purposes.

The UK operates a specific regime for the taxation of UK resident investors in offshore funds came into force.

Under this regime, funds may be certified as reporting funds and UK resident investors in such funds should retain capital gains treatment on disposal of their holdings (subject to the rules outlined above for corporate investors in bond funds). The SICAV intends to maintain reporting fund status for the share classes highlighted as such on [morganstanleyinvestmentfunds.com](http://morganstanleyinvestmentfunds.com). Details of the reportable income for such share classes will be made available on the above website within 6 months of the SICAV's year-end or the closure or merger of a relevant fund or share class. Any excess of reportable income over amounts paid out as distributions must be declared by UK investors on their own tax returns and will be taxed as dividends or interest, depending on whether the fund is a bond fund or not. Shareholders without access to the Internet may arrange to receive details of reportable income by alternative means by contacting Morgan Stanley Investment Management Limited. In all cases, there can, however, be no guarantee that reporting fund certification will be obtained or maintained.

If approval as a reporting fund is granted, reporting fund status will apply to shares of the relevant class for each period of account of the SICAV provided the SICAV continues to comply with the applicable rules in respect of shares of that class and does not elect for shares of that class to become a non-reporting fund.

For so long as reporting fund status is maintained, any profit on a disposal of shares of the relevant class (for example, by way of transfer or redemption including switching between classes of shares) by a UK resident investor should fall to be taxed as a capital gain (subject to the rules outlined above for corporate investors in bond funds).

If reporting fund status is not maintained for any accounting period (or is not initially sought or obtained) in respect of a class of shares, any gain arising on a disposal of shares of that class (for example, by way of transfer or redemption including switching between classes of shares) will constitute income for all purposes of United Kingdom taxation.

## Anti-avoidance provisions

The attention of companies resident in the UK for taxation purposes is drawn to the controlled foreign companies provisions contained in Part 9A Taxation (International and Other Provisions) Act 2010. These provisions affect UK resident companies which are deemed to be interested, either alone or together with certain connected or associated persons, in at least 25% of the profits (not including capital gains) of a non-UK resident company (such as the SICAV) which (i) is controlled by companies or other persons who are resident in the UK for taxation purposes and (ii) is subject to a low level of taxation in the territory in which it is resident.

The attention of individuals resident in the UK for taxation purposes is drawn to the provisions of chapter 2 of Part 13 of the Income Tax Act 2007. These provisions are aimed at preventing the avoidance of income tax by individuals through transactions resulting in the transfer of assets or income to persons or companies resident or domiciled abroad, and may render them liable to income tax in respect of the undistributed income (if any) of the SICAV.

The attention of persons resident in the UK is drawn to the fact that the provisions of section 13 of the Taxation of Chargeable Gains Act 1992 could be material to any such person who, either alone or together with certain connected persons, holds more than 25% of the shares in the SICAV if, at the same time, the SICAV is controlled in such a manner as to render it a company that would, were it to be resident in the UK, be a close company for UK taxation purposes. These provisions could, if applicable, result in such a person being treated for the purposes of UK taxation as if a proportionate part of any gain accruing to the SICAV (such as on a disposal of any of its investments) had accrued to that person at the time when the chargeable gain accrued to the SICAV.

# Additional Information for Irish Investors

## Facilities agent

The SICAV and JP Morgan SE, Luxembourg Branch (the Depository) have appointed JP Morgan Administration Services (Ireland) Limited as facilities agent of the SICAV in Ireland for the tasks listed a) and b) below in article 92 of the UCITS Directive, as amended by Directive 2019/1160, and it has agreed to provide such facilities at its offices at International Financial Services Centre, Dublin 1, Ireland. They can be contacted by email to [Dublin.TAOperations@jpmorgan.com](mailto:Dublin.TAOperations@jpmorgan.com).

According to article 92 of the UCITS Directive, as amended by Directive 2019/1160, the facilities tasks are as follows:

- process subscription, repurchase and redemption orders and make other payments to shareholders relating to the shares of the SICAV, in accordance with the conditions set out in the prospectus and the KIDs
- provide investors with information on how orders referred to in point a. can be made and how repurchase and redemption proceeds are paid
- facilitate the handling of information and access to procedures and arrangements referred to in article 15 the UCITS Directive relating to the investors' exercise of their rights arising from their investment in the SICAV in the member state where the SICAV is marketed
- make the information and documents required pursuant to chapter IX of the UCITS Directive available to investors under the conditions laid down in article 94 of the UCITS Directive, for the purposes of inspection and obtaining copies thereof
- provide investors with information relevant to the tasks that the facilities agent (see page 212) performs in a durable medium
- act as a contact point for communicating with the competent authorities. Morgan Stanley Investment Funds, will provide the tasks listed under points c) to e) above in article 92 of the UCITS Directive, as amended by Directive 2019/1160, at its offices 6B, Route de Trèves, L-2633 Senningerberg, email [cslux@morganstanley.com](mailto:cslux@morganstanley.com). The information stated can be found on: [morganstanleyinvestmentfunds-website.publifund.com/en\\_IE](http://morganstanleyinvestmentfunds-website.publifund.com/en_IE). Arendt Regulatory & Consulting S.A. 41A Avenue J.F. Kennedy, L-2082 Luxembourg, will act as the contact point for communicating with the competent authorities, according to point f) above of article 92 of the UCITS Directive, as amended by Directive 2019/1160. They can be contacted by email at [DistributionARC@arendt.com](mailto:DistributionARC@arendt.com).

Applications for shares and redemptions as well as for conversions may also be made to the transfer agent in Luxembourg at the address below:

**CACEIS Investor Services Bank S.A.**

14, Rue Porte de France

L-4360 Esch-sur-Alzette

Grand Duchy of Luxembourg

Tel (352) 25 47 01 9511, Fax (352) 24-60 9902

## Publications

The NAV of each class of shares in respect of each dealing day is available at the registered office of the SICAV and at the office of Morgan Stanley Investment Management Limited.

Shareholders may view the NAV on the SICAV's website ([morganstanleyinvestmentfunds.com](http://morganstanleyinvestmentfunds.com)).

## Irish taxation

The following information is based on the law in force in Ireland on the date of this prospectus. This summary deals only with shares held as capital assets by Irish resident shareholders and does not address special classes of shareholders such as dealers in securities or persons that may be exempt from tax such as Irish pension funds and charities. This summary is not exhaustive and shareholders are advised to consult their own tax advisors with respect to the taxation consequences of the ownership or disposition of shares.

## The SICAV

It is the intention of the board to conduct the affairs of the SICAV so that it is neither resident in Ireland for tax purposes nor carrying on a trade in Ireland through a branch or agency. Accordingly, the SICAV will not be subject to Irish corporation tax.

## Irish investors

**Taxation generally** Shares in the SICAV are likely to constitute a material interest in an offshore fund for the purposes of chapter 4 Part 27 of the Taxes Consolidation Act, 1997.

**Reporting of acquisition** An Irish resident or ordinarily resident person acquiring shares in the SICAV is required to disclose details of the acquisition in his annual tax return. Where an intermediary in the course of carrying on a business in Ireland acquires shares in the SICAV it must report details of the acquisition to the Irish Revenue Commissioners.

**Income and capital gains** An Irish resident corporate shareholder will be liable to corporation tax at 25% on income distributions received from the SICAV and on gains on disposal of shares in the SICAV, except where the corporate shareholder holds shares as part of its trading activities in which case the rate of corporation tax applicable will be that applicable to trading income. It should be noted that no indexation allowance is available in respect of the gain.

Where an Irish resident or ordinarily resident person who is not a company holds shares in the SICAV and receives an income distribution from the SICAV, that shareholder will be liable to Irish tax at 41% on the amount of such distribution.

Where an Irish resident or ordinarily resident person who is not a company disposes of a share a liability to Irish tax at 41% will arise on the amount of the gain. No indexation allowance is available and the death of a shareholder would constitute a deemed disposal of a share.

There is a deemed disposal and reacquisition at market value for the purposes of Irish tax of shares held by an Irish resident or ordinarily resident investor on a rolling 8 year basis where the shares are acquired on or after 1 January 2001. This deemed disposal takes place at market value so that Irish resident or ordinarily resident shareholders will be subject to tax at the rate of 41% for individuals or 25% for a corporate shareholder on the increase in value of their shares at 8 year intervals commencing on 8th anniversary of the date of acquisition of the shares.

To the extent that any tax arises on such a deemed disposal such tax will be taken into account to ensure that any tax payable on the subsequent encashment, redemption, cancellation or transfer of the relevant shares does not exceed the tax that would have arisen had the deemed disposal not occurred.

## Anti-avoidance provision

There is an anti-avoidance provision imposing higher rates of tax on Irish resident investors in personal portfolio investment undertakings (PPIU). A PPIU is a fund in which the investor, or a person connected with the investor, has a right under the terms of the fund or any other agreement, to influence the selection of the assets of the fund. If a fund is treated as a PPIU the Irish resident investor can suffer tax at rates of up to 60% (80% where details of the payments/disposal are not correctly included in the shareholder's annual tax return) on amounts received from the fund, or on the rolling 8 year deemed disposal.

Specific exemptions apply where the ability to select the property invested in has been clearly identified in the offshore fund's marketing and promotional literature and the investment is widely marketed to the public.

## Withholding obligation on facilities agents

If any dividend is paid through an encashment agent established in Ireland, such an agent would be obliged to deduct tax (currently at the rate of 25%) from such dividend and account for this to the Irish Revenue Commissioners. The recipient of the dividend would be entitled to claim a credit for the sum deducted by the facilities agent against his tax liability for the relevant year.

**Stamp duty** Transfers for cash or shares in the SICAV will not be subject to Irish stamp duty.

### Gift and inheritance tax

A gift or inheritance of shares in the SICAV received from a person who is resident or ordinarily resident in Ireland or received by such a person will be within the charge to Irish capital acquisitions tax. Capital acquisitions tax is charged at a rate of 33% above a tax-free threshold which is determined by the amount of the benefit and of previous benefits within the charge to capital acquisitions tax,

and the relationship between the person treated as disposing of such shares and the successor or donee. Tax chargeable on the gain arising on a deemed disposal by an individual on their death shall be treated as an amount paid in respect of capital gains tax for the purposes of crediting such amount paid against gift on inheritance tax arising on such death.

**Transfers between funds** The board have been advised that in the Republic of Ireland the exchange of shares in one sub-fund for shares in another sub-fund of an umbrella scheme should not constitute a disposal of such shares and will not give rise to a charge to tax.

## Additional Information for Chilean Investors

All of the information provided by the SICAV for the purpose of registering the shares on the *Registro de Valores Extranjeros* (Chilean Foreign Securities Registry (or the FSR), maintained by the *Comisión para el Mercado Financiero* of Chile (Financial Markets Commission or the CMF) is available to the public at the offices below:

### Santander Investment S.A. Corredores de Bolsa

Bandera 140, Piso 14  
Santiago  
Chile  
Tel (56-2) 23663400, Fax (56-2) 26962097

### Larraín Vial S.A. Corredora de Bolsa

El Bosque Norte 0177 Piso 3  
Las Condes  
Santiago  
Chile  
Tel (56-2) 2339-8617, Fax (56-2) 2332-0131

### Valores Security S.A. Corredores de Bolsa

Apoquindo 3150, 7th Floor  
Las Condes  
Santiago  
Chile  
Tel (56-2) 2584-4601, Facsimile (56-2) 2584-4015

### BICE Inversiones Corredores de Bolsa SA

Teatinos 280, Piso 5  
Santiago  
Chile  
Tel (56-2) 2692-1850

### Cruz del Sur Corredora de Bolsa S.A.

Magdalena 121  
Las Condes  
Santiago  
Chile  
Tel (56-2) 24618810

### Credicorp Capital S.A. Corredores de Bolsa

Av. Apoquindo 3721 Piso 9  
Las Condes  
Santiago  
Chile  
Tel (56-2) 2450-1600

### Corredores de Bolsa Sura S.A.

Apoquindo 4820  
Floor 16  
Las Condes  
Santiago  
Chile  
Tel (56-2) 2915-2021

### Seguros de Vida SURA SA

Apoquindo 4820  
Las Condes  
Santiago  
Chile  
Tel (56-2) 2915-2018

### Taxation

In accordance with article 11 of the Chilean Income Tax Law (Decree-Law 824 of 1974, as modified by Law 21.210 which regulates the taxation of offerings to the public of foreign securities in Chile (the Income Tax Law)), shares of the SICAV which are acquired on the Chilean market are not considered to be situated in Chile, as they are securities issued by an entity incorporated outside the country and are registered in the FSR, in accordance with the Title XXIV of the Securities Law. Consequently, as stated in article 10 and 11 of the Income Tax Law, any income arising from the shares is not considered to be income from a Chilean source. Therefore, Investors who are not domiciled in or resident in Chile will not be subject to tax in Chile in respect of their holding of shares. Investors who are domiciled or resident in Chile will be subject to tax in Chile in respect of the shares in accordance with the Income Tax Law.

### Private placement sales restriction

CERTAIN SECURITIES INCLUDED IN THIS DOCUMENT ARE NOT REGISTERED IN THE FOREIGN SECURITIES REGISTER HELD BY THE CMF. ANY OFFER REGARDING SUCH SECURITIES WILL BE CONDUCTED SUBJECT TO GENERAL RULE N°336 OF THE CMF, BEGINNING AT THE DATE OF THIS PROSPECTUS.

THESE SECURITIES ARE NOT SUBJECT TO THE SUPERVISION OF THE CMF.

BECAUSE THESE SECURITIES ARE NOT REGISTERED, THERE IS NO OBLIGATION TO THE ISSUER TO PROVIDE PUBLIC INFORMATION ON THEM, IN CHILE.

THESE SECURITIES CANNOT BE SUBJECT OF PUBLIC OFFERING AS LONG AS THEY ARE NOT REGISTERED IN THE FOREIGNS SECURITIES REGISTER.

## Additional Information for Taiwanese Investors

Any fund registered for sale with the Taiwan Financial Supervisory Commission (the FSC) will be subject to the following restrictions:

- unless otherwise approved or announced for exemption by the FSC, the total value of such fund's non offset short position in derivatives for hedging purposes will not exceed the total market value of the relevant securities held by that fund and the risk exposure of such fund's non offset position in derivatives for purposes of increase of investment efficiency will not exceed 40% of the Net Asset Value of that fund
- such fund may not invest in gold, direct commodities or direct real estate
- such fund is not permitted to invest in Mainland China securities other than securities listed on exchanges in Mainland China and bonds traded in the Chinese Interbank Bond Market and the percentage of the fund's holdings in such securities listed on exchanges in Mainland China and bonds traded in the Chinese Interbank Bond Market may not, at any time, exceed a certain percentage limit as stipulated by the FSC from time to time
- the total investment in such fund by domestic investors in Taiwan may not, at any time, exceed a certain percentage limit as stipulated by the FSC from time to time
- the investment amount of such fund in the securities market of Taiwan may not, at any time, exceed a certain percentage limit as stipulated by the FSC from time to time
- the securities market of Taiwan may not constitute a major investment region in the portfolio of any fund

## Additional Information for Peruvian Investors

The shares have not been registered before the *Superintendencia del Mercado de Valores* (the SMV) and are being placed by means of a private offer subject to the laws of the Grand Duchy of Luxembourg. SMV has not reviewed the information provided to the investor. This prospectus is only for the exclusive use of institutional investors in Peru and is not for public distribution.

### Taxation

In accordance with article 6 and 7 of the Peruvian Income Tax Law, Peruvian resident individuals are subject to income tax for their Peruvian and foreign source income. Consequently: (i) dividends and other payments derived from the shares, and (ii) capital gains realised upon sale, disposal or redemption of the shares by a Peruvian resident individual will qualify as foreign source income and, thus, subject to income tax. Foreign source income is added to labour income obtained in each fiscal year and subject to taxation at the ordinary progressive rate of 8%, 14%, 17%, 20% and 30%. However, in the event of a sale of the shares through the Lima Stock Exchange (*Bolsa de Valores de Lima – BVL*), through the Chilean Stock Exchange (*Bolsa de Comercio de Santiago*), Colombian Stock Exchange (*Bolsa de Valores de Colombia*) or through the Mexican Stock Exchanges (*Bolsa Mexicana de Valores*), the resulting capital gain would be subject to a reduced 6.25%. In the specific case of trades within the BVL, the resulting capital gain may be tax exempt subject to specific requirements<sup>1</sup>. Such temporary tax exemption will be in force until December 31st, 2023 (unless an extension is approved by the Peruvian Congress).

For Peruvian tax purposes, the capital gain is calculated by deducting the corresponding cost basis from the transfer value.

Any deposit made in a Peruvian bank account is subject to a Financial Transactions Tax (FTT)<sup>2</sup> with a rate of 0.005%, applicable to the amount of such deposit. However, FTT may be deducted as an ordinary expense in order to calculate the labour and foreign source income tax.

The income tax on foreign source income is calculated on an annual basis and must be reported to the Peruvian Tax Authority by filing the Annual Income Tax Return, during the chronogram approved by SUNAT at the end of the fiscal year.

In accordance with article 51 of the Peruvian Income Tax Law, capital losses obtained by a Peruvian resident individual may be offset against other foreign source income, except the ones that are obtained in jurisdictions with low or no taxation (tax havens) which are not deductible in order to determine the net foreign source income.

However, as from January 1, 2019, all jurisdictions which are members of the OECD, such as Luxembourg, are not being considered as Tax Havens for Peruvian tax purposes. Hence, foreign source losses cannot be offset against Peruvian source income or carried forward.

Peruvian resident individuals who hold shares indirectly, through a foreign controlled entity, should consult their counsels and pose their queries with respect to the applicable tax matters regarding the International Tax Transparency Regime regulated under the Peruvian Income Tax Law.

By the other hand, investors who are not domiciled in or residents in Peru will not be subject to tax in Peru.

Peruvian resident entities are subject to taxation at the general rate of 29.5% over the net income obtained in each taxable year. Such rate applies over foreign sourced dividends and capital gains. Capital gains tax exemption is not available for entities. Nevertheless, certain investors are subject to permanent tax exemptions, such as Peruvian Pension Funds and Life Insurance Companies.

## Information for Asian-Pacific and Middle Eastern Investors

This section provides you with important information about the SICAV and its funds in respect of those jurisdictions set out below. This section refers to and should, where appropriate (taking into account the important information below), be read in conjunction with the contents of the most up-to-date prospectus and/or, as applicable, any jurisdiction specific supplement and/or prospectus. This section by itself does not constitute a solicitation, recommendation or offer to buy or sell any shares in any funds and

any description of the SICAV, the funds or shares are not intended to be complete and are qualified in their entirety by the prospectus, subscription documents and all and any other constituent documents of the SICAV and/or the applicable fund. If you are in any doubt about the contents of this section and/or anything referred to in this section then you should consult your financial adviser, bank, stockbroker or other relevant financial intermediary qualified to provide such information and advice.

<sup>1</sup>To apply the Income Tax exemption, the transaction of the shares must comply with the following requirements: (a) the sale must be traded through the Lima Stock Exchange; (b) the traded security must have market presence (*presencia bursátil*), which is a liquidity threshold established in the Peruvian tax regulations (the securities that fulfil the market presence requirement are published by the BVL, [www.bvl.com.pe/merc-presencia.html](http://www.bvl.com.pe/merc-presencia.html)); and, (c) in the case of shares, trade less than 10% of equity.

<sup>2</sup>The FTT is generally imposed on debits and credits in Peruvian bank accounts.



## Australia

The prospectus is not a prospectus or product disclosure statement under the Corporations Act 2001 (Cth) (Corporations Act) and does not constitute a recommendation to acquire, an invitation to apply for, an offer to apply for or buy, an offer to arrange the issue or sale of, or an offer for issue or sale of, any securities in Australia, except as set out below. The SICAV has not authorised nor taken any action to prepare or lodge with the Australian Securities & Investments Commission an Australian law compliant prospectus or product disclosure statement.

The prospectus may not be issued or distributed in Australia and the shares in the funds may not be offered, issued, sold or distributed in Australia by the fund manager, or any other person, under the prospectus, other than by way of or pursuant to an offer or invitation that does not need disclosure to investors under Part 6D.2 or Part 7 of the Corporations Act, whether by reason of the investor being a wholesale client (as defined in section 761G of the Corporations Act and applicable regulations) or otherwise.

The prospectus does not constitute or involve a recommendation to acquire, an offer or invitation for issue or sale, an offer or invitation to arrange the issue or sale, or an issue or sale, of shares to a retail client (as defined in Section 761G of the Corporations Act and applicable regulations) in Australia.

## Brunei

The SICAV does not have a capital market service licence under the Securities Market Order 2013 to provide investment advice to clients, or to undertake any investment business, in Brunei. By requesting or accepting financial services or financial product information from the SICAV, you agree, represent and warrant that you are engaging our services or in receipt of information wholly outside the jurisdiction of Brunei and, as applicable, subject to the foreign laws of the contract governing the terms of our engagement.

The prospectus does not constitute an offer or an advertisement within the meaning of the Securities Market Order 2013 and shall not be distributed or circulated to any person in Brunei, except to a specific and selected class of investors only who are an accredited investor, an expert investor or an institutional investor as defined in the Securities Market Order, 2013 at their request so that they may consider an investment and subscription in the funds. This prospectus is not issued to the public or section of the public in Brunei.

The Autoriti Monetari Brunei Darussalam (the Authority) is not responsible for reviewing or verifying any prospectus or other documents in connection with this collective investment scheme. The Authority has not approved the prospectus or any other associated documents nor taken any steps to verify the information set out in the prospectus and has no responsibility for it.

## People's Republic of China

Neither the prospectus nor this section constitute a public offer of the funds, whether by sale or subscription, in the People's Republic of China (excluding Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan) (the PRC). Shares in the funds are not being offered or sold directly or indirectly in the PRC to or for the benefit of, legal or natural persons in the PRC.

Further, no legal or natural persons in the PRC may directly or indirectly purchase any shares in the funds or any beneficial interest therein without obtaining all prior PRC governmental approvals that are required, whether statutorily or otherwise. Potential investors who are PRC nationals are responsible for obtaining the required approvals from all relevant government authorities in the PRC before purchasing the shares.

Neither the prospectus nor this section constitute any securities or investment advice in the PRC, if provided to citizens of the PRC in the PRC, or nationals in the PRC with permanent residence in the PRC, or to any corporation, partnership, or other entity incorporated or established in the PRC.

Persons who come into possession of the prospectus are required by the issuer and its representatives to observe these restrictions.

## Hong Kong

### WARNING FOR HONG KONG INVESTORS

***The contents of the attached fund offering document relating to the funds (as defined below) have not been reviewed by any regulatory authority in Hong Kong. The same applies to the websites referenced in the prospectus.***

***You are advised to exercise caution in relation to the offer of unauthorised funds. If you are in any doubt about any of the contents of this document, you should obtain independent professional advice.***

The contents of this document relating to unauthorised funds have not been delivered for registration to the Registrar of Companies in Hong Kong and have not been reviewed by any regulatory authority in Hong Kong. Accordingly: (i) the shares of the unauthorised funds may not be offered or sold in Hong Kong by means of any document other than to persons who are professional investors within the meaning of the Securities and Futures Ordinance (cap. 571) of Hong Kong and the Securities and Futures (Professional Investor) Rules made thereunder or in other circumstances which do not result in the document being a prospectus within the meaning of the Companies Ordinance (cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of the Companies Ordinance; and (ii) no person may issue any invitation, advertisement or other document relating to the shares of the unauthorised funds whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the shares of the unauthorised funds which are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors within the meaning of the Securities and Futures Ordinance and the Securities and Futures (Professional Investor) Rules made thereunder.

**Unauthorised funds** The funds set out below have not been authorised by the Securities and Futures Commission of Hong Kong pursuant to section 104 of the Securities and Futures Ordinance:

- Morgan Stanley Investment Funds American Resilience Fund
- Morgan Stanley Investment Funds Calvert Global Equity Fund
- Morgan Stanley Investment Funds Calvert Global High Yield Bond Fund
- Morgan Stanley Investment Funds Calvert Sustainable Climate Aligned Fund
- Morgan Stanley Investment Funds Calvert Sustainable Climate Transition Fund
- Morgan Stanley Investment Funds Calvert Sustainable Developed Europe Equity Select Fund
- Morgan Stanley Investment Funds Calvert Sustainable Developed Markets Equity Select Fund
- Morgan Stanley Investment Funds Calvert Sustainable Diversity, Equity and Inclusion Fund
- Morgan Stanley Investment Funds Calvert Sustainable Emerging Markets Equity Select Fund
- Morgan Stanley Investment Funds Calvert Sustainable Global Green Bond Fund
- Morgan Stanley Investment Funds Calvert Sustainable US Equity Select Fund
- Morgan Stanley Investment Funds Calvert US Equity Fund
- Morgan Stanley Investment Funds China A-Shares Fund
- Morgan Stanley Investment Funds Counterpoint Global Fund
- Morgan Stanley Investment Funds Developing Opportunity Fund
- Morgan Stanley Investment Funds Emerging Leaders Equity Fund
- Morgan Stanley Investment Funds Emerging Markets Corporate Debt Fund
- Morgan Stanley Investment Funds Emerging Markets Debt Opportunities Fund
- Morgan Stanley Investment Funds Emerging Markets Fixed Income Opportunities Fund
- Morgan Stanley Investment Funds Emerging Markets Local Income Fund
- Morgan Stanley Investment Funds Euro Bond Fund
- Morgan Stanley Investment Funds Euro Corporate Bond Fund
- Morgan Stanley Investment Funds Euro Corporate Bond – Duration Hedged Fund
- Morgan Stanley Investment Funds Euro Strategic Bond Fund

- Morgan Stanley Investment Funds Europe Opportunity Fund
- Morgan Stanley Investment Funds European Fixed Income Opportunities Fund
- Morgan Stanley Investment Funds European High Yield Bond Fund
- Morgan Stanley Investment Funds European Property Fund
- Morgan Stanley Investment Funds Floating Rate ABS Fund
- Morgan Stanley investment Funds Global Asset Backed Securities Focused Fund
- Morgan Stanley Investment Funds Global Asset Backed Securities Fund
- Morgan Stanley Investment Funds Global Balanced Defensive Fund
- Morgan Stanley Investment Funds Global Balanced Fund
- Morgan Stanley Investment Funds Global Balanced Income Fund
- Morgan Stanley Investment Funds Global Balanced Risk Control Fund of Funds
- Morgan Stanley Investment Funds Global Balanced Sustainable Fund
- Morgan Stanley Investment Funds Global Brands Equity Income Fund
- Morgan Stanley Investment Funds Global Core Equity Fund
- Morgan Stanley Investment Funds Global Credit Fund
- Morgan Stanley Investment Funds Global Credit Opportunities Fund
- Morgan Stanley Investment Funds Global Endurance Fund
- Morgan Stanley Investment Funds Global Fixed Income Opportunities Fund
- Morgan Stanley Investment Funds Global Focus Property Fund
- Morgan Stanley Investment Funds Global High Yield Bond Fund
- Morgan Stanley Investment Funds Global Insight Fund
- Morgan Stanley Investment Funds Global Macro Fund
- Morgan Stanley Investment Funds Global Permanence Fund
- Morgan Stanley Investment Funds Global Property Fund
- Morgan Stanley Investment Funds Global Quality Fund
- Morgan Stanley Investment Funds Global Sustain Fund
- Morgan Stanley Investment Funds Indian Equity Fund
- Morgan Stanley Investment Funds International Resilience Fund
- Morgan Stanley Investment Funds Japanese Equity Fund
- Morgan Stanley Investment Funds Japanese Small Cap Equity Fund
- Morgan Stanley Investment Funds Parametric Commodity Fund
- Morgan Stanley Investment Funds Parametric Global Defensive Equity Fund<sup>3</sup>
- Morgan Stanley Investment Funds Saudi Equity Fund
- Morgan Stanley Investment Funds Short Duration US Government Income Fund
- Morgan Stanley Investment Funds Short Maturity Euro Bond Fund
- Morgan Stanley Investment Funds Short Maturity Euro Corporate Bond Fund
- Morgan Stanley Investment Funds Sustainable Asia Equity Fund
- Morgan Stanley Investment Funds Sustainable Euro Corporate Bond Fund
- Morgan Stanley Investment Funds Sustainable Euro Strategic Bond Fund
- Morgan Stanley Investment Funds Systematic Liquid Alpha Fund
- Morgan Stanley Investment Funds Tailwinds Fund
- Morgan Stanley Investment Funds US Core Equity Fund
- Morgan Stanley Investment Funds US Dollar Corporate Bond Fund
- Morgan Stanley Investment Funds US Dollar Short Duration Bond Fund
- Morgan Stanley Investment Funds US Dollar Short Duration High Yield Bond Fund
- Morgan Stanley Investment Funds US High Yield Bond Fund
- Morgan Stanley Investment Funds US High Yield Middle Market Bond Fund
- Morgan Stanley Investment Funds US Focus Property Fund
- Morgan Stanley Investment Funds US Insight Fund
- Morgan Stanley Investment Funds US Permanence Fund
- Morgan Stanley Investment Funds US Value Fund
- Morgan Stanley Investment Funds Vitality Fund

## India

The shares to which the prospectus relates are not being offered to the Indian public for sale or subscription. The shares are not registered and/or approved by the securities and exchange board of India, the reserve bank of India or any other governmental/regulatory authority in India. The prospectus is not and should not be deemed to be a prospectus as defined under the provisions of the companies act, 2013 (18 of 2013) and the same shall not be filed with any regulatory authority in India.

<sup>3</sup> The unauthorised fund is not available for subscription at the date of this prospectus. The unauthorised fund may be launched at the board's discretion, at which time, confirmation of the launch of the unauthorised fund will be made available at the registered office of the SICAV.

Morgan Stanley does not guarantee or promise to return all or any portion of the money invested towards the shares by an investor and an investment in the shares is subject to applicable risks associated with an investment in the shares and shall not constitute a deposit within the meaning of the banning of unregulated deposits schemes act, 2019.

Pursuant to the foreign exchange management act, 1999 and the regulations issued there under, any investor resident in India may be required to obtain prior special permission of the reserve bank of India before making investments outside of India, including any investment in the funds.

Morgan Stanley has neither obtained any approval from the reserve bank of India, the securities and exchange board of India or any other regulatory authority in India nor does it intend to do so.

## Indonesia

The offering contained in the prospectus does not constitute a public offering in Indonesia under Capital Markets Law No. 8 Year 1995. The prospectus may not be distributed to the general public in Indonesia and the securities may not be offered or sold, directly or indirectly, in Indonesia or to Indonesian citizens wherever they are domiciled, or to Indonesian residents, in a manner which constitutes a public offering under the laws and regulations of Indonesia.

## Malaysia

No action has been, or will be, taken to comply with Malaysian laws for making available, offering for subscription or purchase, or issuing any invitation to subscribe for or purchase or sale of the shares of the funds in Malaysia or to persons in Malaysia as the shares are not intended by the issuer to be made available, or made the subject of any offer or invitation to subscribe or purchase, by persons in Malaysia. Neither the prospectus nor any document or other material in connection with the shares should be distributed, caused to be distributed or circulated to persons in Malaysia. No person should make available or make any invitation or offer or invitation to sell or purchase the shares to persons in Malaysia.

## New Zealand

The prospectus is not a product disclosure statement for the purposes of the Financial Markets Conduct Act 2013 (the FMCA) and does not contain all the information typically included in such offering documentation.

An offer of shares in the funds does not constitute a regulated offer for the purposes of the FMCA and, accordingly, there is neither a product disclosure statement nor a register entry available in respect of the offer. Shares in the funds may only be offered in New Zealand in accordance with the FMCA and the Financial Markets Conduct Regulations 2014.

Accordingly, the funds have not been, and may not be, offered, issued or sold to any person in New Zealand other than:

1. to persons who are wholesale investors within the meaning of clause 3(2)(a), (c) or (d) of schedule 1 of the FMCA, being persons who fall within one or more of the following categories of wholesale investor
  - a person that is an investment business within the meaning of clause 37 of schedule 1 of the FMCA
  - a person that is large within the meaning of clause 39 of schedule 1 of the FMCA
  - a person that is a government agency within the meaning of clause 40 of schedule 1 of the FMCA
2. in other circumstances where there is no contravention of the FMCA

## Philippines

Under Republic Act No. 8799, known as the Securities Regulation Code of the Philippines (the Code), and its implementing rules, securities, such as the funds, are not permitted to be sold or offered for sale or distribution within the Philippines unless such securities are approved for registration by the Securities and Exchange Commission of the Philippines (SEC) or are otherwise exempt securities or sold pursuant to an exempt transaction.

To the extent that the Code and its implementing rules apply to the offer and sale of the funds (but without prejudice to the last paragraph of this section), the offer and sale are or will be made to qualified buyers as such term is defined Section 10.1(l) of the Code, its implementing rules and other applicable regulations of the SEC. Hence, such offer and sale of funds qualify as a transaction exempt from the securities registration requirement pursuant to Section 10.1(l) of the Code. A confirmation of exemption from the SEC that the offer and sale of the funds in the Philippines qualify as an exempt transaction under the Code will not be obtained.

**THE SECURITIES BEING OFFERED OR SOLD HEREIN HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES REGULATION CODE OF THE PHILIPPINES. ANY OFFER OR SALE THEREOF IS SUBJECT TO REGISTRATION REQUIREMENTS UNDER THE CODE UNLESS SUCH OFFER OR SALE QUALIFIES AS AN EXEMPT TRANSACTION.**

By purchase of the funds, the investor will be deemed to acknowledge that the issue of, offer for subscription or purchase of, or invitation to subscribe for or purchase of such fund was made outside the Philippines.

## Singapore

The funds are not authorised under section 286 of the Securities and Futures Act, chapter 289 of Singapore (the SFA) or recognised under section 287 of the SFA by the Monetary Authority of Singapore but some of the funds may be notified as restricted schemes under section 305 of the SFA and marketed to prospective investors in Singapore, subject to certain conditions. Prospective investors resident in Singapore should refer to the separate Information Memorandum for Investors in Singapore (the Information Memorandum) together with the prospectus, which are available through your financial intermediary. The Information Memorandum contains a current list of the funds that are notified as restricted schemes under section 305 of the SFA.

The remainder of the funds which are not listed in the Information Memorandum have not been notified as restricted schemes under section 305 of the SFA, are not registered for marketing purposes in Singapore and accordingly, the prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the shares of such funds may not be circulated or distributed, nor may such shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore.

## Taiwan

Some of the funds are registered for sale to the public in Taiwan. Prospective investors resident in Taiwan should refer to the "Prospectus for Taiwanese Investors" available through Taiwanese licensed financial institutions.

There are other funds that have been approved by CSSF but which are not currently registered for sale to the public in Taiwan. In respect of these funds, taiwanese residents should refer to the disclaimer below:

The shares may be made available:

- to Taiwan resident investors outside Taiwan for purchase by such investors outside Taiwan
- to the offshore banking units (as defined in the Republic of China statute for offshore banking operations) of Taiwan banks, the offshore securities units (as defined in the Republic of China statute for offshore banking operations) of Taiwan securities firms or the offshore insurance units (as defined in the Republic of China statute for offshore banking operations) of Taiwan insurance companies purchasing the shares either for their proprietary account or for the accounts of their non-Taiwan clients
- to all Taiwan resident investors through licensed financial institutions after registration of the relevant fund pursuant to the Republic of China Rules Governing Offshore funds

Each subscriber or purchaser of the shares must seek professional advice as to whether he/she/it is qualified to subscribe to or purchase the shares. Purchasers/subscribers may be restricted or prohibited from re-selling the shares.

## Thailand

The funds have not been granted permission by the Securities and Exchange Commission (SEC) of Thailand to be publicly offered in Thailand. No interests in the funds may be advertised or offered for sale to the public in Thailand or marketed through any means of communication to the general public in Thailand.

All the funds' materials have been prepared strictly for informational purposes only and the contents of these documents have not been reviewed by the SEC. The contents contained in these materials should not be construed as a public offer of the funds in Thailand.

The prospectus and this document are distributed on a confidential basis to the person to whom it is addressed. The prospectus may not be reproduced in any form or transmitted to any person other than the person to whom it is addressed. Transmission of this document to the general public in Thailand shall not constitute solicitation in Thailand by Morgan Stanley or any other Morgan Stanley entity or any of its or their representatives or agents to invest in the funds.

## United Arab Emirates

**For United Arab Emirates (excluding Dubai International Financial Centre and Abu Dhabi Global Market) residents only**

The prospectus does not constitute, and is not intended to constitute, a public offer of securities in the United Arab Emirates (UAE) and accordingly should not be construed as such. Unless neither the provisions of the SCA Board of Directors' Chairman Decision No. 9/R.M of 2016 (concerning the regulations on mutual funds) nor the SCA Board of Directors' Chairman Decision No. 3/R.M of 2017 (concerning the marketing, distribution, advertisement, publication or provision of any data, information or advertising materials relating to a financial product in any way or by any means) do not apply, shares in the funds are only being offered to a limited number of exempt investors in the UAE who fall under one of the following categories of qualified investors:

1. an investor which is able to manage its investments on its own (unless such person does not wish to be classified as a qualified investor), namely:
  - a. the federal government, local governments and governmental entities, institutions and authorities, or companies wholly-owned by any such entities
  - b. foreign governments, their respective entities, institutions and authorities or companies wholly owned by any such entities
  - c. international entities and organisations
  - d. entities licensed by the Securities and Commodities Authority (the SCA) or a counterpart authority (i.e. a regulatory authority that is an ordinary or associate member of the International Organisation of Securities Commissions)
  - e. any legal person that meets, as at the date of its most recent financial statements, at least two of the following conditions:
    - it has a total assets or balance sheet of AED 75 million
    - it has a net annual turnover of AED 150 million
    - it has total equity or paid-up capital of AED 7 million
2. any natural person licensed by the SCA or a counterpart authority to carry out any of the functions related to financial activities or services, (each a qualified investor)

Shares in the funds have not been approved by or licensed or registered with the UAE Central Bank, the SCA, the Dubai Financial Services Authority, the Financial Services Regulatory Authority or any other relevant licensing authorities or governmental agencies in the UAE (the Authorities). The Authorities assume no liability for any investment that the named addressee makes as a qualified investor. The prospectus is for the use of the named addressee only and should not be given or shown to any other person (other than employees, agents or consultants in connection with the addressee's consideration thereof).

The prospectus does not constitute, and is not intended to constitute, a public offer of securities in the United Arab Emirates (UAE) and accordingly should not be construed as such. Unless neither the provisions of the SCA Board of Directors' Chairman Decision No. 9/R.M of 2016 (concerning the regulations on mutual funds) nor the SCA Board of Directors' Chairman Decision No. 3/R.M of 2017 (concerning the marketing, distribution, advertisement, publication or provision of any data, information or advertising materials relating to a financial product in any way or by any means) do not apply, shares in the funds are only being offered to a limited number of investors

in the UAE who (a) are willing and able to conduct an independent investigation of the risks involved in an investment in such shares, and (b) upon their specific request. Shares in the funds have not been approved by or licensed or registered with the UAE Central Bank, the Securities and Commodities Authority or any other relevant licensing authorities or governmental agencies in the UAE.

The prospectus is for the use of the named addressee only, who has specifically requested it without a promotion effected by Morgan Stanley, any other Morgan Stanley entity, their promoters or the distributors of their shares, and should not be given or shown to any other person (other than employees, agents or consultants in connection with the addressee's consideration thereof). No transaction will be concluded in the UAE and any enquiries regarding the shares should be made to your financial intermediary.

## Facilities Agents and Services

According to article 92 of the UCITS Directive, the facilities tasks are as follows:

- a. process subscription, repurchase and redemption orders and make other payments to shareholders relating to the shares of the SICAV, in accordance with the conditions set out in the prospectus and the KIDs
- b. provide investors with information on how orders referred to in point a. can be made and how repurchase and redemption proceeds are paid
- c. facilitate the handling of information and access to procedures and arrangements referred to in article 15 of the UCITS Directive relating to the investors' exercise of their rights arising from their investment in the SICAV in the member state where the SICAV is marketed
- d. make the information and documents required pursuant to chapter IX of the UCITS Directive available to investors under the conditions laid down in article 94 of the UCITS Directive, for the purposes of inspection and obtaining copies thereof
- e. provide investors with information relevant to the tasks that the facilities agent performs in a durable medium
- f. act as a contact point for communicating with the competent authorities

The SICAV has appointed the facilities agents for the tasks listed a) and b) above in article 92 of the UCITS Directive, and it has agreed to provide such facilities at its offices set out below:

### UniCredit Bank Austria AG

Rothschildplatz 1  
A-1020 Vienna  
Austria  
Email [stephan.hans@unicreditgroup.at](mailto:stephan.hans@unicreditgroup.at)

### CACEIS Investor Services Belgium S.A

11, Place Rogier  
1210 Brussels  
Belgium  
Email [CACEISIS\\_BE\\_FundCorporateServices@caceis.com](mailto:CACEISIS_BE_FundCorporateServices@caceis.com)

### Unicredit Bank Czech Republic and Slovakia, a.s.

Prague 4 – Michle, Zeletavska 1525/1  
Postal code 14092  
Czech Republic  
ICO 64948242  
Email(s) [Tomas.bartek@unicreditgroup.cz](mailto:Tomas.bartek@unicreditgroup.cz) and [Jaroslava.slatinska@unicreditgroup.cz](mailto:Jaroslava.slatinska@unicreditgroup.cz)

### Nordea Danmark

Standgade 3  
0900 Copenhagen C  
Denmark  
Email [issuerservice.dk@nordea.com](mailto:issuerservice.dk@nordea.com)

### Caceis Bank SA

1/3 Place Valhubert  
75013 Paris  
France  
Email [BK-OPCVM-IVS@caceis.com](mailto:BK-OPCVM-IVS@caceis.com)

### Morgan Stanley Bank AG

Grosse Gallusstrasse 18  
D-60312 Frankfurt am Main  
Germany  
Email [msim-germany@morganstanley.com](mailto:msim-germany@morganstanley.com)

### Alpha Bank

40, Stadiou Street  
102 52 Athens  
Greece  
Email [ForeignCustodyGroup2@alpha.gr](mailto:ForeignCustodyGroup2@alpha.gr)

### JP Morgan Administration Services (Ireland) Limited

International Financial Services Centre  
Dublin 1  
Ireland  
Email [Dublin.TAOperations@JPMorgan.com](mailto:Dublin.TAOperations@JPMorgan.com)

### All Funds Bank S.A. - (Italian branch)

Via Bocchetto, 6  
20121 Milano  
Italy  
Email(s) [fundgroupsitaly@allfunds.com](mailto:fundgroupsitaly@allfunds.com) and [milan\\_ta\\_customer\\_services@allfunds.it](mailto:milan_ta_customer_services@allfunds.it)

### Allianz Bank Financial Advisors SpA

Piazza Tre Torri  
320145 Milano  
Italy  
Email [correspondentbank@allianzbank.it](mailto:correspondentbank@allianzbank.it)

### Caceis Bank SA (Italian Branch)

Piazza Cavour, 2  
20121 Milano  
Italy  
Email [milan.lpa.customer@caceis.com](mailto:milan.lpa.customer@caceis.com)

### ICCREA Banca S.p.A.

Via Lucrezia Romana 41/47  
00178 Roma  
Italy  
Email [banca.corrispo@iccrea.bcc.it](mailto:banca.corrispo@iccrea.bcc.it)

### Monte Dei Paschi di Siena SpA

Via Grossi 3  
46100 Mantova  
Italy  
Email [operation.bancacorrispondente@mps.it](mailto:operation.bancacorrispondente@mps.it)

### Société Générale Securities Services S.p.A.

Via Benigno Crespi, 19/A - MAC 2  
20159 Milano  
Italy  
Email [SGSS.TAOICESTERI@socgen.com](mailto:SGSS.TAOICESTERI@socgen.com)

### State Street Bank International GmbH (Italian Branch)

Via Ferrante Aporti 10  
20125 Milano  
Italy  
Email [LPA\\_SSBITALY\\_TA@statestreet.com](mailto:LPA_SSBITALY_TA@statestreet.com)

### Banca Sella Holding SPA

Piazza Gaudenzio Sella 1  
13900 Biella BI  
Italy  
Email [fondiesteri@sella.it](mailto:fondiesteri@sella.it)

### JP Morgan SE, Luxembourg Branch

European Bank and Business Centre, 6 route de Trèves  
L-2633 Senningerberg  
Grand Duchy of Luxembourg  
Email [luxpayingagency@JPMorgan.com](mailto:luxpayingagency@JPMorgan.com)

**BEST – Banco Electronico De Servicio Total S.A.**

Praça Marquês de Pombal, 3A, 3

1250-096 Lisbon

Portugal

Email [bestdi.oferta@bancobest.pt](mailto:bestdi.oferta@bancobest.pt)

**MFEX Mutual Funds Exchange AB**

Box 5378, Grev Turegatan 19

SE-10249 Stockholm

Sweden

Email [fundinformation@mfex.com](mailto:fundinformation@mfex.com)

**Spain** Paying agents (refer to annual report and accounts). Every distributor registered in Spain acts as a paying agent for the company and a list of them are available on [cnmv.es](http://cnmv.es).

The SICAV will provide the tasks listed under points c) to e) above in article 92 of the UCITS Directive, at its registered office 6B, Route de Trèves, L-2633 Senningerberg, email at [cslux@morganstanley.com](mailto:cslux@morganstanley.com).

The countries that do not have a facilities agent appointed are listed below:

- Estonia
- Finland
- Iceland
- Latvia
- Liechtenstein
- Lithuania

- Norway
- Romania
- Slovakia
- The Netherlands

CACEIS Investor Services Bank S.A., 14, Rue Porte de France, L-4360 Esch-sur-Alzette, Grand Duchy of Luxembourg, tel (352) 2605 9782, Fax (352) 2460 9902, email at [csmorganstanley@rbc.com](mailto:csmorganstanley@rbc.com), will provide the tasks listed under point a) above.

For tasks listed under points b) to e) above, please contact **Morgan Stanley Client Services** at [CSLux@morganstanley.com](mailto:CSLux@morganstanley.com).

Arendt Regulatory & Consulting S.A. 41A Avenue J.F Kennedy, L-2082 Luxembourg, Grand Duchy of Luxembourg will act as the contact point for communicating with the competent authorities, according to point f) above of article 92 of the UCITS Directive. Email at [DistributionARC@arendt.com](mailto:DistributionARC@arendt.com).

This section is available in the official language of your local jurisdiction at [morganstanleyinvestmentfunds.com](http://morganstanleyinvestmentfunds.com). The Luxembourg webpage provides this section in additional languages of other EU regions.

# Sustainability Annexes

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## Equity Funds

American Resilience Fund  
Asia Opportunity Fund  
Asian Property Fund  
Calvert Global Equity Fund  
Calvert Sustainable Climate Aligned Fund  
Calvert Sustainable Climate Transition Fund  
Calvert Sustainable Developed Europe Equity Select Fund  
Calvert Sustainable Developed Markets Equity Select Fund  
Calvert Sustainable Diversity, Equity and Inclusion Fund  
Calvert Sustainable Emerging Markets Equity Select Fund  
Calvert Sustainable US Equity Select Fund  
Calvert US Equity Fund  
Counterpoint Global Fund  
Developing Opportunity Fund  
Emerging Leaders Equity Fund  
Europe Opportunity Fund  
European Property Fund  
Global Brands Equity Income Fund  
Global Brands Fund  
Global Endurance Fund  
Global Focus Property Fund  
Global Infrastructure Fund  
Global Insight Fund  
Global Opportunity Fund  
Global Permanence Fund  
Global Property Fund  
Global Quality Fund  
Global Sustain Fund  
Japanese Equity Fund  
NextGen Emerging Markets Fund  
Sustainable Asia Equity Fund  
Sustainable Emerging Markets Equity Fund  
Tailwinds Fund  
US Advantage Fund  
US Focus Property Fund  
US Growth Fund  
US Insight Fund  
US Permanence Fund  
US Property Fund  
US Value Fund

Vitality Fund

## Bond Funds

Calvert Global High Yield Bond Fund  
Calvert Sustainable Global Green Bond Fund  
Emerging Markets Corporate Debt Fund  
Emerging Markets Debt Fund  
Emerging Markets Debt Opportunities Fund  
Emerging Markets Domestic Debt Fund  
Emerging Markets Fixed Income Opportunities Fund  
Emerging Markets Local Income Fund  
Euro Bond Fund  
Euro Corporate Bond – Duration Hedged Fund  
Euro Corporate Bond Fund  
Euro Strategic Bond Fund  
European Fixed Income Opportunities Fund  
European High Yield Bond Fund  
Floating Rate ABS Fund  
Global Asset Backed Securities Focused Fund  
Global Asset Backed Securities Fund  
Global Bond Fund  
Global Convertible Bond Fund  
Global Credit Fund  
Global Credit Opportunities Fund  
Global Fixed Income Opportunities Fund  
Global High Yield Bond Fund  
Short Maturity Euro Bond Fund  
Short Maturity Euro Corporate Bond Fund  
Sustainable Euro Corporate Bond Fund  
Sustainable Euro Strategic Bond Fund  
US Dollar Corporate Bond Fund  
US Dollar Short Duration Bond Fund  
US Dollar Short Duration High Yield Bond Fund  
US High Yield Bond Fund  
US High Yield Middle Market Bond Fund

## Asset Allocation Funds

Global Balanced Fund  
Global Balanced Income Fund  
Global Balanced Sustainable Fund

**Pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852**

**Product name:**  
American Resilience Fund

**Legal entity identifier:**  
5493007IAYGIHAZG5H09

## Environmental and/or social characteristics

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**.

That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

Does this financial product have a sustainable investment objective?	
●● <input type="checkbox"/> Yes	●● <input checked="" type="checkbox"/> No
<input type="checkbox"/> It will make a minimum of <b>sustainable investments with an environmental objective:</b> ___% <ul style="list-style-type: none"> <li><input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> </ul>	<input checked="" type="checkbox"/> It <b>promotes Environmental/Social (E/S) characteristics</b> and while it does not have as its objective a sustainable investment, it will have a minimum proportion of <u>10</u> % of sustainable investments <ul style="list-style-type: none"> <li><input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input checked="" type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> <li><input checked="" type="checkbox"/> with a social objective</li> </ul>
<input type="checkbox"/> It will make a minimum of <b>sustainable investments with a social objective:</b> ___%	<input type="checkbox"/> It promotes E/S characteristics, but <b>will not make any sustainable investments</b>



## What environmental and/or social characteristics are promoted by this financial product?

The Fund promotes the environmental characteristic of climate change mitigation by excluding investments in: (i) companies with any tie to fossil fuels; and (ii) companies in certain other energy intensive sectors. For the avoidance of any doubt, the Fund does not seek to make investments that contribute to climate change mitigation within the meaning of the EU Taxonomy.

In addition, the Fund considers social characteristics by applying binding exclusions on: (i) companies whose core business activity involves weapons or civilian firearms; and (ii) that have any tie to controversial weapons.

In addition, a proportion of the Fund's investments will be classified as sustainable investments through an assessment comprising three tests, which includes evaluating investee companies' (in respect of this Fund for the purposes of Appendix L each, a "Company", together the "Companies") net positive alignment with the UN Sustainable Development Goals ("SDGs").

The Fund has not designated a reference benchmark for the purpose of attaining its environmental or social characteristics.

Further details on the binding exclusions applied by the Fund may be found under section "What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?".

**Sustainability indicators** measure how the environmental or social characteristics promoted by the financial product are attained.

### ● What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?

#### 1. Environmental characteristics

Compliance with the environmental exclusionary screens is measured based on the exclusionary criteria and the percentage of the Fund's investments which breach the exclusionary screens.

#### 2. Social characteristics

Compliance with the social exclusionary screens is measured based on the exclusionary criteria and the percentage of the Fund's investments which breach the exclusionary screens.

#### 3. Sustainable investment

The Fund commits to invest a proportion of its assets in Companies classified as sustainable investments. The Fund classifies a Company as a sustainable investment using a framework based on three tests:

- i. **good governance:** this test seeks to ensure that all Companies are considered by the Investment Adviser to follow good governance practices to be included in the Fund's portfolio;
- ii. **do no significant harm ("DNSH"):** this test seeks to ensure that Companies classified as sustainable investments do not cause significant harm to any of the mandatory, SFDR-defined principal adverse impact ("PAI") indicators which are relevant to the Company. This test also seeks to ensure that Companies classified as sustainable investments are aligned with the minimum social safeguards including the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, including the principles and rights set out in the eight fundamental conventions identified in the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work and the International Bill of Human Rights; and



- iii. **positive contribution to environmental or social objective:** this test seeks to ensure that Companies classified as sustainable investments are classified based on their net positive alignment with the UN SDGs (which shall primarily be determined using alignment scores obtained from third party data providers).

Compliance with the sustainable investment commitment is measured by the percentage of the Fund's investments which pass all three tests. A minimum of 10% of the Fund's investments are expected to be invested in Companies classified as sustainable investments.

- ***What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?***

The positive contribution to environmental or social objective test applied by the Investment Adviser seeks to ensure that Companies classified as sustainable investments are classified based on their net positive alignment with the UN SDGs (which shall primarily be determined using alignment scores obtained from third party data providers). The UN SDGs include environmental (e.g. Climate Action or Life on Land) and social (e.g. Good Health and Well-Being) objectives. The third party data providers' alignment scores indicate whether the companies in the providers' coverage universe have a net positive alignment across the UN SDGs, either through their products and services (e.g. a health care company's essential medical products may be positively aligned with the Good Health and Well-Being SDG), or through business practices such as policies, actions and targets aimed at aligning with one or more of the SDGs (e.g. a company with robust carbon reduction plans may align with the Climate Action SDG by reducing its own emissions, switching to renewable energy or by seeking emission reductions in its value chain by engaging with suppliers and/or through product design). More information on the UN SDGs can be found at: <https://www.undp.org/sustainable-development-goals>. The Investment Adviser recognises that the UN SDGs were written by Governments for Governments and therefore data that seeks to align corporate actions to the SDGs will not be perfectly representative.

The Investment Adviser classifies a Company as having a positive contribution to an environmental or social objective as simultaneously meeting three criteria assessed using third-party data: 1) having a net positive aggregate alignment score across all the SDGs (i.e. scores measuring positive alignment to individual SDGs have to, in total, be greater than the total of any negative alignment scores in the Investment Adviser's view), 2) having sufficient positive alignment (in the Investment Adviser's view) with at least one individual SDG and 3) not having any material mis-alignments on any of the SDGs (in the Investment Adviser's view).

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

In limited cases, and where it is satisfied that it is appropriate to do so based on its internal analysis (having regard to its engagements with the company or other data sources), the Investment Adviser may treat a Company as failing or passing its sustainable investment criteria, contrary to the position indicated by the third-party SDG alignment score. The Investment Adviser may do this when, for example, it considers the third-party SDG alignment data to be out of date or incorrect based on the Investment Adviser's own engagement efforts or research.

● **How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?**

- The do no significant harm (“DNSH”) test applied by the Investment Adviser seeks to ensure that Companies classified as sustainable investments do not cause significant harm to any of the mandatory, SFDR-defined principal adverse impact (“PAI”) indicators which are relevant to the Company. This test also seeks to ensure that Companies classified as sustainable investments are aligned with the minimum social safeguards including the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, including the principles and rights set out in the eight fundamental conventions identified in the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work and the International Bill of Human Rights. *How have the indicators for adverse impacts on sustainability factors been taken into account?*

The Fund gains data to assess the PAI indicators (listed below) from third-party providers as well as internal research. The Fund may use reasonable proxies for those PAIs for which the Investment Adviser considers that the data is not widely or reliably available (currently these are the ‘Unadjusted gender pay gap’, ‘Activities negatively affecting biodiversity sensitive areas’ and ‘Emissions to water’ indicators). These proxies will be kept under review and will be replaced by data from third-party data providers, when the Investment Adviser determines that sufficiently reliable data has become available.

PAI indicators:

**Investee companies**

1. GHG emissions
3. GHG intensity of investee companies
4. Exposure to companies active in the fossil sector
5. Share of non-renewable energy consumption and production
6. Energy consumption intensity per high impact climate sector
7. Activities negatively affecting biodiversity sensitive areas
8. Emissions to water
9. Hazardous waste ratio
10. Violations of UN Global Compact (UNGC) and OECD Guidelines for Multinational Enterprises
11. Lack of processes and compliance mechanisms to monitor compliance with the UNGC and OECD Guidelines for Multinational Enterprises
12. Unadjusted gender pay gap
13. Board gender diversity
14. Exposure to controversial weapons.

To determine whether significant harm is caused, initial thresholds for each mandatory PAI indicator are generally set in two ways:

- for binary indicators (e.g. ‘Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises’), a binary pass/fail test is applied, based on the data;
- for indicators using quantifiable numerical data (e.g. ‘GHG intensity of investee companies’), the worst performers (based on their relative performance within the broader investable universe, which itself is limited to issuers for which data is available – subject to the exceptions noted below), are deemed to fail the initial test.

For both types of indicators, where data is not available, the investment is deemed to fail the initial test and cannot be regarded as a sustainable investment. However, in cases where the third-party data provider determines that a particular PAI indicator is not meaningful given the nature or the industry of the issuer, and therefore does not provide data on that PAI indicator, the investment is deemed to pass the initial test on the basis that the investment's activities are unlikely to be causing significant harm to the environmental or social theme covered by that PAI indicator. For example, in the case of software companies with a limited physical presence, the expectation is that their activities are unlikely to have significant negative impacts on water quality, therefore the 'emissions to water' PAI is considered by the third-party provider to be not meaningful for that industry.

Instances in which the third-party data provider determines that a PAI indicator is not meaningful will be kept under periodic review by the Investment Adviser, in case the third-party data provider subsequently deems the PAI indicator meaningful for the issuer (in which case the Investment Adviser will re-assess the issuer against the relevant PAI indicator data).

Additionally, the outcome of the initial test may be supplemented (as appropriate) by the Investment Adviser's internal qualitative assessments on significant harm (having regard to other data sources and/or its engagements with the investment) on one or more PAIs. For example, where the Investment Adviser considers that an issuer is taking appropriate and credible remedial actions to rectify its failings on a PAI, the issuer may still be considered a sustainable investment, subject to the Internal Adviser's ongoing review and tracking of the issuers' remedial actions.

As part of its long-term investment approach, the Investment Adviser also seeks to engage with company management teams and boards to encourage companies towards better ESG practices and to minimise or mitigate the principal adverse impacts of their activities on a materiality basis (i.e. if the Investment Adviser considers a particular PAI indicator to be materially relevant to the long-term sustainability of high returns on capital).

– *How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:*

As part of the Investment Adviser's do no significant harm ("DNSH") test, Companies will not be classified as sustainable investments if they fail to comply with the themes and values promoted by the OECD Guidelines for Multinational Enterprises or the UN Global Compact, or if they lack processes and compliance mechanisms to monitor compliance with the themes and values promoted by these global norms.

In each case, this assessment is based on information obtained from third-party data providers and/or internal assessments.

*The EU Taxonomy sets out a “do not significant harm” principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.*

*The “do no significant harm” principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.*

*Any other sustainable investments must also not significantly harm any environmental or social objectives.*

Regulation requires that this document include these statements. However, for the avoidance of doubt, this Fund does not: (i) take into account the EU criteria for environmentally sustainable economic activities in the EU Taxonomy; or (ii) calculate its portfolio alignment with the EU Taxonomy. As such, the Fund is 0% aligned with the EU Taxonomy. The “do no significant harm” principle applies only to the portion of the Fund’s investments that are sustainable investments.

The Investment Adviser use the OECD Guidelines for Multinational Enterprises and the UN Global Compact as reasonable proxies.



### Does this financial product consider principal adverse impacts on sustainability factors?

Yes

No

All the mandatory PAI indicators in the SFDR rules relevant to the Company are considered by the Investment Adviser (in the manner set out above) for the purposes of classifying some of the Fund’s investments as sustainable investments.

PAIs are also considered with respect to the other investments of the Fund in the following manner:

- the environmental and social characteristics promoted by the Fund incorporate consideration of the following PAIs through binding exclusions:
  - o PAI indicator 4: exposure to companies active in the fossil fuel sector;
  - o PAI indicator 14: exposure to controversial weapons (using third-party data with a methodology that complies with the Sustainable Finance Disclosure Regulation (“SFDR”) definition);
- engagement and stewardship with issuers across all relevant mandatory PAI indicators in the SFDR rules (except on controversial weapons as they are excluded) on a materiality basis (i.e., if the Investment Adviser considers a particular PAI indicator to be materially relevant to the long-term sustainability of high returns on capital).

The Fund will report on the above matters in the Fund’s periodic report.



### What investment strategy does this financial product follow?

The Fund will seek to achieve its investment objective by investing primarily in equity securities, including depositary receipts (including American Depositary Receipts (ADRs) and Global Depositary Receipts (GDRs)) of companies located in the U.S.

**The investment strategy** guides investment decisions based on factors such as investment objectives and risk tolerance.

The Fund's investment process focuses on high quality companies with sustainably high returns on operating capital by identifying companies with strong franchises typically underpinned by hard to replicate intangible assets (including brands, networks, licences and patents) and pricing power, resulting in high gross margins. The Investment Adviser also seeks to identify capable management teams able to allocate capital effectively to grow the franchise, maintain the intangible assets and sustain or improve returns on operating capital.

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.

As an essential and integrated part of the investment process, the Investment Adviser assesses relevant factors material to long-term sustainably high returns on operating capital including ESG factors and seeks to engage with company management teams as part of this.

Subject to the Fund's investment objective and its binding Article 8 characteristics (as explained above), the Investment Adviser retains discretion over which investments are selected for inclusion in the Fund.

The Fund is actively managed by the Investment Adviser on an ongoing basis in accordance with its investment strategy. The investment process is subject to regular review, as part of a control and monitoring framework implemented by the Investment Adviser and the Management Company. The Investment Adviser's Compliance, Risk and Portfolio Surveillance teams collaborate with the portfolio management team of this Fund to conduct regular portfolio/performance reviews and systemic checks to ensure compliance with portfolio investment objectives, investment and client guidelines, taking into account changing market conditions, information and strategy developments.

The environmental and social characteristics promoted by the Fund are incorporated within the investment guidelines and subject to ongoing monitoring by the Investment Adviser. Morgan Stanley Investment Management's Portfolio Surveillance team also codes the investment guidelines into the firm's surveillance system. The Portfolio Surveillance team uses an automated process to monitor adherence to investment guidelines, including pre- and post-trade guideline monitoring and exception-based screening, and informs the portfolio management team of this Fund of any possible guideline violations.

**Good governance** practices include sound management structures, employee relations, remuneration of staff and tax compliance.

● ***What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?***

**1. Environmental characteristics**

The Fund promotes the environmental characteristic of climate change mitigation by excluding investments in any company that the Investment Adviser determines:

- to have any tie to fossil fuels (such as oil, gas and coal) as classified by the MSCI ESG Business Involvement Screening Research database ("MSCI ESG BISR");
- or any company that has been assigned the following sectors or industries under the MSCI Global Industry Classification Standards ("MSCI GICS"): energy, construction materials, utilities (excluding renewable electricity and water utilities), or metals and mining.

**2. Social characteristics**

The Fund considers social characteristics by applying the following binding screens:

- the Fund's investments shall not knowingly include any company whose core business activity involves the following, as classified by the MSCI ESG BISR database:
  - a. civilian firearms; or
  - b. weapons.
- the Fund shall also not invest in any company that is defined by the MSCI ESG BISR database to have any tie to controversial weapons.

Investments that are held by the Fund but become restricted because they breach the investment restrictions set out 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 details of the above exclusions can be found in the Fund's exclusion policy which is available on the website ([www.morganstanleyinvestmentfunds.com](http://www.morganstanleyinvestmentfunds.com) and on [www.morganstanley.com/im](http://www.morganstanley.com/im)).

3. 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). **Sustainable investments**

As noted above, the Fund also commits to invest a proportion of its assets in Companies classified as sustainable investments.

● ***What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?***

Not applicable. No minimum reduction rate has been defined in relation to the Fund's scope of investments.

● ***What is the policy to assess good governance practices of the investee companies?***

All Companies are assessed on their governance, and the investment process is focussed on identifying high quality companies that can sustain their high returns on operating capital over the long term, both for the Fund's sustainable investments and for other investments which are aligned with the Fund's environmental or social characteristics. Effective governance is important and governance criteria are therefore embedded within the investment process and considered as part of initial research and portfolio selection. On-going monitoring is facilitated through engagement with the Company as well as by using, where appropriate, company data, third party data and governance related controversy screens. An investment has to be considered by the Investment Adviser to have good governance to be included within the portfolio.

In addition to meet the EU SFDR regulatory requirements, the Investment Adviser also has regard to third-party proxy indicators as considerations to assess four specific aspects of governance: issuer management structures, employee relations, remuneration of staff and tax compliance. All companies in the Fund are assessed against these indicators. The Investment Adviser may include issuers that fail on one or more of these proxy indicators where (i) it considers that the third-party data is inaccurate or out of date; or (ii) it considers that, upon review, the issuer is exhibiting good governance practices overall (such that the results of the proxy indicator tests do not in fact indicate a material impact on good governance). In reaching this determination, the Investment Adviser may take into account any remedial actions being undertaken by the company.

The Investment Adviser also engages with companies on issues material to the sustainability of company returns on operating capital. Direct engagement with companies and boards on material ESG risks and opportunities, and other issues, plays a role in informing the Investment Adviser on the soundness of company management and whether it can maintain high returns on operating capital while growing the business over the long term. Dialogue with companies on engagement topics can be prolonged and require multiple engagements.



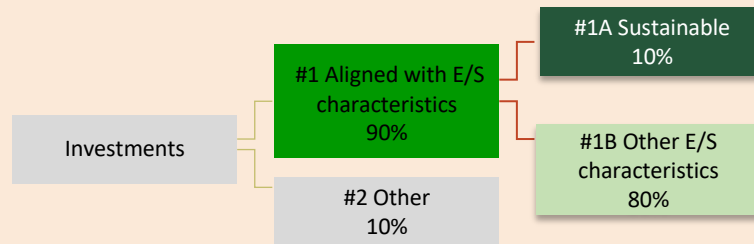
### Asset allocation

describes the share of investments in specific assets.

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.

## What is the asset allocation planned for this financial product?



**#1 Aligned with E/S characteristics** includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

**#2 Other** includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

The category **#1 Aligned with E/S characteristics** covers:

- The sub-category **#1A Sustainable** covers sustainable investments with environmental or social objectives.
- The sub-category **#1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.

The environmental and social exclusions are expected to apply to at least 90% of the portfolio. The Investment Adviser anticipates that the remainder of the Fund will be made up of investments held for ancillary liquidity, including cash and money market instruments, with this proportion not expected to comprise more than 10% of the Fund's assets. No minimum environmental or social safeguards are applied to such investments.

Under exceptional circumstances, the percentage of the Fund's assets that are made up of investments held for ancillary liquidity may temporarily fluctuate above the stated level for certain reasons including but not limited to market conditions or client inflows/outflows.

The Fund also expects a minimum of 10% of its assets to be classified as sustainable investments. Among these, the Fund expects a minimum of 1% of its assets to be classified as sustainable investments with an environmental objective and 1% as sustainable investments with a social objective which can both vary independently at any time.

All percentages are measured according to the value of the investments.

### ● **How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?**

Not applicable – the Fund does not use derivatives to attain its environmental or social characteristics.



## To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

Not applicable – the Investment Adviser does not take account of the EU Taxonomy in its management of the Fund and as such the Fund’s sustainable investments do not take into account the criteria for environmentally sustainable economic activities under the EU Taxonomy.

To comply with EU Taxonomy, the criteria for **fossil gas** include limitations on emission and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

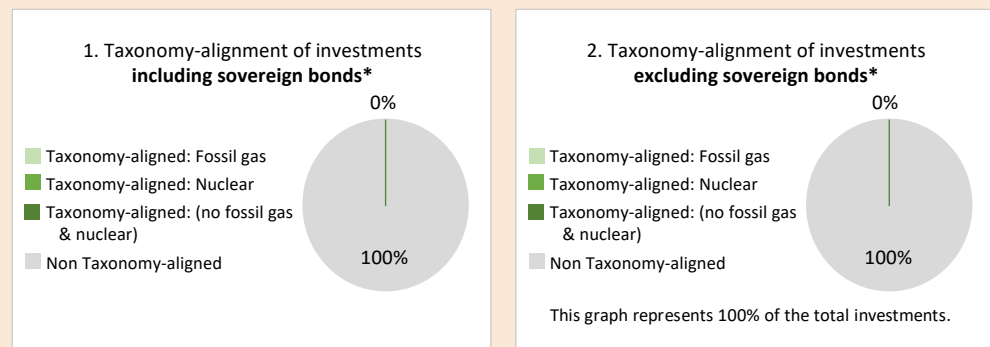
**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

**Transitional activities** are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

● **Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy<sup>1</sup>?**

- Yes:  
 In fossil gas     In nuclear energy  
 No

*The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.*



\* For the purpose of these graphs, ‘sovereign bonds’ consist of all sovereign exposures.

● **What is the minimum share of investments in transitional and enabling activities?**

Not applicable – Although the Fund commits to invest in sustainable investments within the meaning of the SFDR, there is no commitment to a minimum share of investments in transitional and enabling activities.

<sup>1</sup> Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change (“climate change mitigation”) and do not significantly harm any EU Taxonomy objective – see explanatory note in the left-hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.





are sustainable investments with an environmental objective that **do not take into account** the criteria for environment-ally sustainable economic activities under the EU Taxonomy.

### What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?

A minimum of 10% of the Fund's assets are expected to be classified as sustainable investments, as defined under the SFDR. Among these, the Fund expects a minimum of 1% of its assets to be classified as sustainable investments with an environmental objective and 1% as sustainable investments with a social objective which can both vary independently at any time.

The Fund's assets that are classified as sustainable investments with an environmental objective do not take into account the criteria for environmentally sustainable economic activities under the EU Taxonomy. The EU Taxonomy does not comprehensively cover all industries and sectors, or even all environmental objectives. This financial product invests in Companies classifies as sustainable investments within sectors that may not be covered by the EU Taxonomy currently. Accordingly, the Investment Adviser uses its own methodology to determine whether certain investments are environmentally sustainable in accordance with the SFDR sustainable investment test, and then the Investment Adviser invests part of the Fund in such assets.



### What is the minimum share of socially sustainable investments?

As noted above, a minimum of 10% of the Fund's assets are expected to be classified as sustainable investments. Among these, the Fund expects a minimum of 1% of its assets to be classified as sustainable investments with an environmental objective and 1% as sustainable investments with a social objective which can both vary independently at any time.



### What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?

This Fund holds cash and money market instruments for ancillary liquidity. These are included in the “#2 Other” category. No minimum environmental or social safeguards are applied to such investments.



**Reference benchmarks** are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.

### Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?

Not applicable



### Where can I find more product specific information online?

More product-specific information can be found on the website:

[https://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite\\_msinvf\\_americanresilience\\_en.pdf](https://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite_msinvf_americanresilience_en.pdf)

**Pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852**

**Product name:**  
Asia Opportunity Fund

**Legal entity identifier:**  
549300A6F3VVR9QM8333

## Environmental and/or social characteristics

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**.

That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

**Does this financial product have a sustainable investment objective?**

<input checked="" type="radio"/> <input type="radio"/> <input type="checkbox"/> <b>Yes</b>	<input type="radio"/> <input checked="" type="radio"/> <input checked="" type="checkbox"/> <b>No</b>
<input type="checkbox"/> It will make a minimum of <b>sustainable investments with an environmental objective: ___%</b> <ul style="list-style-type: none"> <li><input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> </ul> <input type="checkbox"/> It will make a minimum of <b>sustainable investments with a social objective: ___%</b>	<input type="checkbox"/> It <b>promotes Environmental/Social (E/S) characteristics</b> and while it does not have as its objective a sustainable investment, it will have a minimum proportion of ___% of sustainable investments <ul style="list-style-type: none"> <li><input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> with a social objective</li> </ul> <input checked="" type="checkbox"/> It promotes E/S characteristics, but <b>will not make any sustainable investments</b>



## What environmental and/or social characteristics are promoted by this financial product?

The Fund promotes the following environmental and social characteristics:

- the Fund promotes the environmental characteristic of limiting environmental externalities by excluding investments in coal; and
- the Fund promotes the social characteristic of avoiding investments in certain activities which can cause harm to human health and wellbeing, including tobacco and certain weapons, comprising civilian firearms, cluster munitions and anti-personnel mines.

These exclusions are implemented in line with the Fund's Restriction Screening Policy, which can be found on [www.morganstanley.com/im](http://www.morganstanley.com/im) at [https://www.morganstanley.com/im/publication/msinvf/material/rsp\\_msinvf\\_counterpointglobal.en.pdf](https://www.morganstanley.com/im/publication/msinvf/material/rsp_msinvf_counterpointglobal.en.pdf)

Further detail on the nature of these exclusions is set out below (in response to the question "What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?").

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Fund.

**Sustainability indicators** measure how the environmental or social characteristics promoted by the financial product are attained.

- ***What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?***

The sustainability indicator is the percentage of companies in the Fund which breach the exclusionary screens. The sustainability indicator will therefore be that 0% of the Fund's investments are in violation of the Fund's Restriction Screening Policy.

Compliance with the exclusions is monitored on an ongoing basis through an automated process, comprising pre- and post-trade guideline monitoring and exception-based screening.

- ***What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?***

Not applicable

- ***How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?***

Not applicable

- *How have the indicators for adverse impacts on sustainability factors been taken into account?*

Not applicable

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

- *How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:*

*The EU Taxonomy sets out a “do not significant harm” principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.*

*The “do no significant harm” principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.*

*Any other sustainable investments must also not significantly harm any environmental or social objectives.*

Regulation requires that this document include these statements. However, for the avoidance of doubt, this Fund does not: (i) take into account the EU criteria for environmentally sustainable economic activities in the EU Taxonomy; or (ii) calculate its portfolio alignment with the EU Taxonomy. As such, the Fund is 0% aligned with the EU Taxonomy. The “do no significant harm” principle applies only to the portion of the Fund’s investments that are sustainable investments.



### Does this financial product consider principal adverse impacts on sustainability factors?

Yes

No

The Fund considers principal adverse impacts (“PAI”) on sustainability factors only in part, as follows:

- The Fund excludes issuers which receive a certain percentage of their revenue from coal mining and extraction. The Fund therefore partly considers the PAI indicator (4) exposure to companies active in the fossil fuel sector.
- The Fund excludes issuers which are involved in manufacturing the core weapon system of cluster munitions and anti-personnel mines. The Fund therefore partly considers the PAI indicator (14) exposure to controversial weapons.

Where the Investment Adviser considers the following PAI indicators to be materially relevant to, or impacted by, the activities of the issuer, it will also consider the following PAIs on sustainability factors. This will be done by the Investment Advisor (a) integrating ESG analysis within the research process and/or (b) engaging with management of investee companies. The PAIs considered are the following:

- PAI indicator (1): Greenhouse gas emissions (GHG);
- PAI indicator (2): Carbon footprint;
- PAI indicator (3): GHG intensity;
- PAI indicator (5): Non-Renewable energy consumption and production; and
- PAI indicator (6): Energy consumption intensity per high impact climate sector.

As a result, the Fund contributes to mitigating the Fund's adverse impacts on these sustainability factors.



**The investment strategy** guides investment decisions based on factors such as investment objectives and risk tolerance.

**Good governance** practices include sound management structures, employee relations, remuneration of staff and tax compliance.

## What investment strategy does this financial product follow?

The Fund seeks long-term capital appreciation by investing in high quality established and emerging companies located in Asia, excluding Japan, that the investment team believes are undervalued at the time of purchase. To achieve its objective, the investment team typically favors companies it believes have sustainable competitive advantages that can be monetized 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).

### ● **What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?**

Binding restriction screens are applied to the Fund to restrict investments in corporate issuers whose industry classification or core business activity, determined in accordance with the methodology set out below, involves:

- Tobacco;
- Coal; or
- Weapons, comprising civilian firearms, cluster munitions and anti-personnel mines.

The methodology used to determine industry classification or core business activity for the purpose of the above-described screening is as follows:

- 1) Global Industry Classification Standard (GICS) Sub-Industry is Tobacco or Coal & Consumable Fuels;
- 2) Revenue (as defined by external third-party data):
  - more than 5% of its recent-year revenue (or estimated revenue) from Tobacco;
  - more than 10% of its recent-year revenue (or estimated revenue) from Thermal Coal;
  - more than 10% of its recent-year revenue (or estimated revenue) from the Manufacture of Civilian Firearms and ammunition; or
- 3) Involvement as identified by an external third-party data provider through corporate ownership, in manufacturing the core weapon system, or components/services of the core weapon system that are considered tailor-made and essential for the lethal use of the weapon, or cluster munitions and anti-personnel mines.

Investments that are held by the Fund but which breach one of the above exclusionary screens 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.

### ● **What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?**

Not applicable. No minimum reduction rate has been defined in relation to the Fund's scope of investments. However, the Investment Adviser anticipates that the application of the exclusions described above will reduce the scope of the Fund's investment universe by 1 - 5%.

### ● **What is the policy to assess good governance practices of the investee companies?**

As part of the Fund's holistic approach to ESG, the Investment Adviser of the Fund assesses governance practices of investee companies, including but not limited to looking at the management structures, employee relations, remuneration of staff, and tax compliance of such companies. This is framed by a set of questions applied consistently across companies. Topics include, but are not limited to, management incentives aligned with the long-term interest of shareholders, capital allocation, independent and engaged boards, and transparency of accounting.



#### Asset allocation

describes the share of investments in specific assets.

Taxonomy-aligned activities are expressed as a share of:

#### - turnover

reflecting the share of revenue from green activities of investee companies

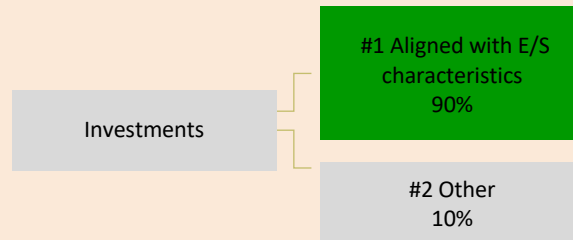
#### - capital expenditure

(CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.

#### - operational expenditure

(OpEx) reflecting green operational activities of investee companies

### What is the asset allocation planned for this financial product?



**#1 Aligned with E/S characteristics** includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

**#2 Other** includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

Category #1 investments (i.e. those aligned with E/S characteristics) comprise all investments that are screened against the Fund's Restriction Screening Policy. Category #2 investments are those investments that are not screened against the Fund's Restriction Screening Policy.

The entirety of the Fund, apart from cash and derivatives held for efficient portfolio management purposes, are screened against the Fund's Restriction Screening Policy. This comprises 90% of the Fund. Accordingly, at least 90% of the Fund are Category #1 investments and the remaining 10% of the Fund (comprising cash and derivatives held for hedging purposes) are Category #2 investments.

These percentages are measured according to the value of the investments.

#### ● **How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?**

Not applicable. The Fund does not use any derivatives to attain its environmental or social characteristics.



To comply with EU Taxonomy, the criteria for **fossil gas** include limitations on emission and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

**Transitional activities** are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

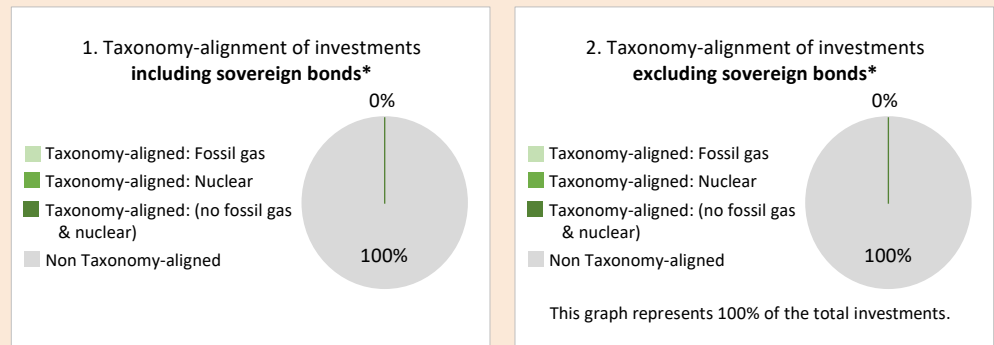
**To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?**

Not applicable

● **Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy<sup>1</sup>?**

- Yes:
  - In fossil gas
  - In nuclear energy
- No

*The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.*



\* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures.

● **What is the minimum share of investments in transitional and enabling activities?**

Not applicable

**What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?**

Not applicable



are sustainable investments with an environmental objective that **do not take into account** the criteria for environment-ally sustainable economic activities under the EU Taxonomy.

<sup>1</sup> Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objective – see explanatory note in the left-hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.



### What is the minimum share of socially sustainable investments?

Not applicable



### What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?

Up to 10% of the Fund, comprising cash and derivatives held for efficient portfolio management purposes, are Category “#2 Other” investments. These instruments are not subject to environmental and/or social screening or any minimum environmental or social safeguards.



### Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?

Not applicable

**Reference benchmarks** are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.

### Where can I find more product specific information online?

More product-specific information can be found on the website:

[https://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite\\_msinvf\\_asia\\_opportunity\\_en.pdf](https://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite_msinvf_asia_opportunity_en.pdf)





**Pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852**

**Product name:**

Asian Property Fund

**Legal entity identifier:**

BZF8P9Z4J7SD7DKO7X90

## Environmental and/or social characteristics

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**.

That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

Does this financial product have a sustainable investment objective?	
●● <input type="checkbox"/> Yes	●● <input checked="" type="checkbox"/> No
<input type="checkbox"/> It will make a minimum of <b>sustainable investments with an environmental objective: ___%</b> <ul style="list-style-type: none"> <li><input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> </ul>	<input type="checkbox"/> It <b>promotes Environmental/Social (E/S) characteristics</b> and while it does not have as its objective a sustainable investment, it will have a minimum proportion of ___% of sustainable investments <ul style="list-style-type: none"> <li><input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> with a social objective</li> </ul>
<input type="checkbox"/> It will make a minimum of <b>sustainable investments with a social objective: ___%</b>	<input checked="" type="checkbox"/> It promotes E/S characteristics, but <b>will not make any sustainable investments</b>



## What environmental and/or social characteristics are promoted by this financial product?

The Fund promotes the social characteristic of avoiding investments in certain activities which can cause harm to human health and wellbeing or be damaging to social cohesion. The Fund also excludes certain companies which have experienced notable sustainability-related controversies, or which are in violation of international norms.

Further detail on the nature of these exclusions is set out below (in response to the question “*What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?*”).

The Fund has not designated a reference benchmark for the purposes of attaining its social characteristics.

**Sustainability indicators** measure how the environmental or social characteristics promoted by the financial product are attained.

- **What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?**

The application of the exclusionary screens to the Fund’s investments is measured by the percentage of the Fund’s investments which breach the exclusionary screens. The relevant sustainability indicator is therefore that 0% of the Fund’s investments are in violation of the Fund’s exclusionary screens.

- **What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?**

Not applicable

- **How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?**

Not applicable

- *How have the indicators for adverse impacts on sustainability factors been taken into account?*

Not applicable

- *How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:*

Not applicable

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.



## Does this financial product consider principal adverse impacts on sustainability factors?

- Yes  
 No

As described under *What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?* below, the Fund does not knowingly invest companies that fail to comply with the UN Global Compact or the ILO fundamental principles, unless the Investment Adviser considers that the company is taking appropriate steps for material remediation and improvement. The Fund therefore

considers in part, PAI indicator number 10: violations of the UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises.



**The investment strategy** guides investment decisions based on factors such as investment objectives and risk tolerance.

## What investment strategy does this financial product follow?

The Asian Property Fund's investment objective is to seek long term capital appreciation by investing primarily in equity securities of companies in the real estate industry, or closely related to the real estate industry located throughout Asia and Oceania. The investment process utilizes internal proprietary research to invest in public real estate companies that may offer the best relative value relative to their underlying assets and earnings.

The investment process is subject to regular review, as part of a control and monitoring framework implemented by the Investment Adviser and the Management Company. Morgan Stanley Investment Management's Compliance, Risk and Portfolio Surveillance teams collaborate with investment teams to conduct regular portfolio/performance reviews and systemic checks to ensure compliance with portfolio investment objectives, investment and client guidelines, taking into account changing market conditions, information and strategy developments.

The Investment Adviser utilizes a bottom-up approach, valuing each security within the investment universe to arrive at an estimate of net asset value and forward cash flows. Real estate specific factors, broader equity factors, and environmental, social and governance (ESG) factors (as described further below) are assessed in the fundamental analysis to calculate appropriate valuation metrics. The Investment Adviser also incorporates a top-down approach in the portfolio construction process by integrating several factors which may include forecasted fundamental inflections, macroeconomic considerations, and geopolitical and country risk assessments, to achieve diversified exposure across countries and/or sectors.

In addition to the ESG considerations described in this document on a binding basis, the Fund integrates ESG considerations in the investment decision-making process to support its environmental and social characteristics on a non-binding basis. The Investment Adviser assesses key ESG risks and opportunities in the bottom-up stock selection process primarily by leveraging third-party ESG providers to assess and quantify ESG performance for issuers, supplementing third-party research with proprietary research conducted by the Investment Adviser including utilizing a framework for assessing and quantifying risks and opportunities related to ESG which results in a quantitative adjustment to valuation estimates, and through engagements with company management to discuss ESG-related strengths, weaknesses, and opportunities in an effort to effect positive change within the industry. While ESG considerations are an integrated and fundamental part of the investment process, they are only one of several key determinants used by the Investment Adviser to determine if an investment will be made or size adjusted in the overall portfolio.

### ● ***What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?***

#### **Social and environmental exclusions:**

The Fund shall not knowingly invest in any company which derives more than 10% of company revenue from any one of the following activities:

- owning or operating real estate used for for-profit prisons;
- owning or operating real estate used to manufacture cannabis;
- manufacturing or production of tobacco;
- manufacturing or production of coal mining;
- manufacturing or production of controversial weapons and civilian firearms; and
- manufacturing or production of arctic oil and gas.

In addition, the Fund shall not knowingly invest in the following companies:

**Good governance** practices include sound management structures, employee relations, remuneration of staff and tax compliance.

- companies that do not have at least one female board member, excluding companies located in Japan.

**International norms exclusions:**

The Fund shall not knowingly invest in the following companies:

- companies that have experienced a notable sustainability-related controversy related to their operations and/or products, where the severity of the social or environmental impact of the controversy is above a certain threshold based on third party data, unless the Investment Adviser considers that the company is taking appropriate steps for material remediation and improvement; or
- companies that fail to comply with the UN Global Compact or the ILO fundamental principles, unless the Investment Adviser considers that the company is taking appropriate steps for material remediation and improvement.

The above exclusions are implemented in line with the Fund's Restriction Screening and ESG Policy which can be found on [www.morganstanleyinvestmentfunds.com](http://www.morganstanleyinvestmentfunds.com) and on [www.morganstanley.com/im](http://www.morganstanley.com/im).

The Investment Adviser may apply additional ESG-related investment restrictions over time that it believes are consistent with its investment objectives and with the environmental or social characteristics that the Fund promotes. Such additional investment 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)

● ***What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?***

Not applicable. No minimum reduction rate has been defined in relation to the Fund's scope of investments.

However, the Investment Adviser anticipates that the application of

- the social exclusions described above will reduce the scope of the Fund's investments by up to 1%; and
- the international norms exclusions described above will reduce the scope of the Fund's investments by up to 1%.

The anticipated reduction figures above are by market capitalisation of the Fund's potential investment universe.

● ***What is the policy to assess good governance practices of the investee companies?***

As part of its bottom-up research process, the Investment Adviser incorporates assessment of an issuer's corporate governance and business practices, including but not limited to evidence of sound management structures and employee relations, fair remuneration of staff, and tax compliance, in order to ensure that every investee company follows good governance practices.

This is done through the monitoring of data on governance-related, as well as on other environmental and/or social factors and controversies, sourced from third party providers, through in-house research, and through engagement with the management of selected issuers on corporate governance and disclosure issues.



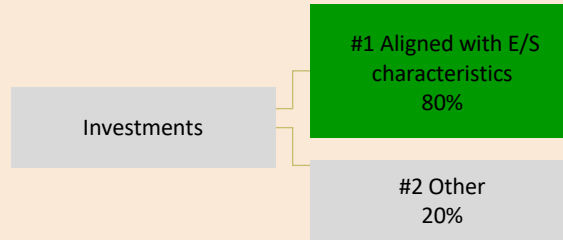
### Asset allocation

describes the share of investments in specific assets.

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.

## What is the asset allocation planned for this financial product?



**#1 Aligned with E/S characteristics** includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

**#2 Other** includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

At least 80% of the Fund's investments align with the environmental and social characteristics it promotes, through the application of the above-mentioned exclusions.

A maximum of 20% of the Fund may be invested in hedging and/or cash instruments, which do not align with any environmental or social characteristics.

These percentages are measured according to the value of the investments.

The Fund does not intend to make any sustainable investments within the meaning of the Sustainable Finance Disclosure Regulation ("SFDR").

● **How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?**

The Fund does not use derivatives to attain the environmental or social characteristics which it promotes.



To comply with EU Taxonomy, the criteria for **fossil gas** include limitations on emission and switching to renewable power or low-carbon fuels by the end of 2035.

For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

**Transitional activities** are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

**To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?**

Not applicable

● **Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy<sup>1</sup>?**

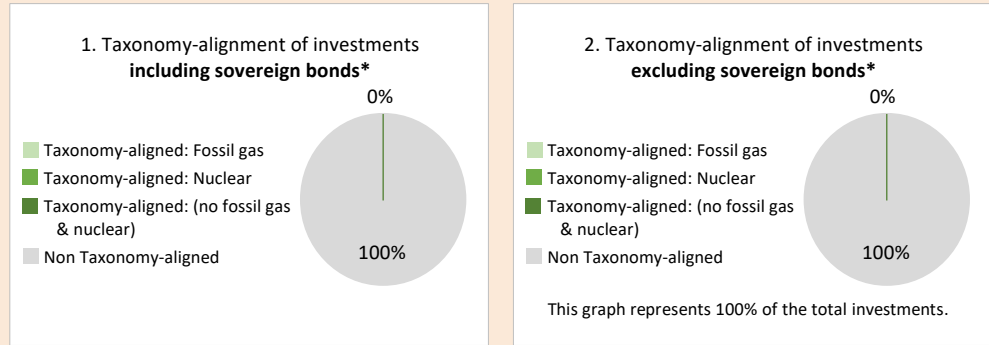
Yes:

In fossil gas     In nuclear energy

No

<sup>1</sup> Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objective – see explanatory note in the left-hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.



\* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures.

● **What is the minimum share of investments in transitional and enabling activities?**

Not applicable



**What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?**

Not applicable



are sustainable investments with an environmental objective that **do not take into account** the criteria for environment-ally sustainable economic activities under the EU Taxonomy.



**What is the minimum share of socially sustainable investments?**

Not applicable



**What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?**

The Fund may make investments in hedging and/or cash instruments. These are included in the “#2 Other” category. These instruments are not subject to environmental and/or social screening or any minimum environmental or social safeguards.



**Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?**

Not applicable

**Reference benchmarks** are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.



**Where can I find more product specific information online?**

More product-specific information can be found on the website:

[https://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite\\_msinvf\\_asianproperty\\_en.pdf](https://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite_msinvf_asianproperty_en.pdf)



**Template pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852**

**Product name:**  
Calvert Global Equity Fund

**Legal entity identifier:**  
549300085JNXPCJMDL42

## Environmental and/or social characteristics

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not include a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.



**Does this financial product have a sustainable investment objective?**

**Yes**

   **No**

<input type="checkbox"/> It will make a minimum of <b>sustainable investments with an environmental objective: ___%</b> <ul style="list-style-type: none"> <li><input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> </ul> <input type="checkbox"/> It will make a minimum of <b>sustainable investments with a social objective: ___%</b>	<input checked="" type="checkbox"/> It <b>promotes Environmental/Social (E/S) characteristics</b> and while it does not have as its objective a sustainable investment, it will have a minimum proportion of 50% of sustainable investments <ul style="list-style-type: none"> <li><input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input checked="" type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> <li><input checked="" type="checkbox"/> with a social objective</li> </ul> <input type="checkbox"/> It promotes E/S characteristics, but <b>will not make any sustainable investments</b>
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**What environmental and/or social characteristics are promoted by this financial product?**

Through the application of the Calvert Principles for Responsible Investment (the “**Calvert Principles**”), the Fund promotes environmental sustainability and resource efficiency, equitable societies and respect for human rights, in addition to accountable governance and transparent operations.

The Fund has not designated a reference benchmark for the purpose of attaining its environmental or social characteristics.

**Sustainability indicators** measure how the environmental or social characteristics promoted by the financial product are attained.

● ***What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?***

The sustainability indicators used to measure the attainment of the environmental and social characteristics promoted are:

- The % of names held in the Fund that are considered eligible for investment in accordance with the Calvert Principles.
- The % of the Fund's investments which qualify as sustainable investments under SFDR.

All investments in the Fund are made at the discretion of the Investment Adviser and will be evaluated in accordance with the Calvert Principles. The Calvert Principles is a framework to assess investee company activities and behaviours across a number of ESG themes (which are considered on a financial materiality basis) to determine their eligibility for Calvert funds. The Investment Adviser then constructs a portfolio of eligible issuers that meet their investment objective. The attainment of the environmental and social characteristics of the Fund will be measured based on whether names held in the Fund are considered eligible for investment in accordance with the Calvert Principles .

To conduct this analysis, Calvert developed the proprietary Calvert Research System (“CRS”) that leverages indicators sourced from third party data vendors, external research partners, and Calvert's own proprietary custom indicators to support measurement and ranking of company performance on different ESG themes. An expert team of ESG research analysts assess companies across the investable universe creating peer groups with similar ESG issues. Each peer group is evaluated and a thesis is developed to determine the themes which are most financially material to the group. A specific set of themes and underlying relevant indicators deemed to be financially material to the company's specific peer group are scored, assigned and weighted. Additionally, Calvert's analysts review circumstantial information (current and ongoing issues) from data vendors and news sources to determine if an individual company may have issues detrimental to its performance. The circumstantial review is applied as a discount to a company's overall score in the CRS system. The analyst then reviews the information from CRS to make a qualitative determination on whether the company is eligible for investment in accordance with the Calvert Principles. Such determinations are then presented to and approved by Calvert's Responsible Research Review Committee.

The following themes are considered in CRS, as applicable, depending on a company's peer group and the financial materiality of each theme to that peer group:

- Environmental themes:
  - o Biodiversity & Land
  - o Climate & Energy
  - o Overall Management of Environmental Risks
  - o Packaging and Electronic Waste
  - o Pollution and Waste
  - o Environmental Impacts of the Supply Chain
  - o Water
- Social themes:
  - o Employee Health and Safety
  - o Valuing Human Capital & Labour Management
  - o Privacy & Data Security
  - o Product Integrity
  - o Stakeholder Relations
  - o Social Impacts of the Supply Chain

The themes listed above are each supported by several sub-themes that feed into approximately 200 peer group models housed within CRS. In total, over 700 underlying vendor data points feed into these thematic indicators.

In instances where ESG data is very limited and cannot be assessed through CRS, companies may undergo a qualitative assessment to determine if the company meets the Calvert Principles. Qualitative assessments, like quantitative assessments, are presented to and approved by Calvert's Responsible Research Review Committee.

● ***What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?***

Calvert's approach to a sustainable investment is to ensure that an issuer is involved in an economic activity that is making a contribution to an environmental or social challenge, does not cause significant harm, and practices good governance. Issuers' involvement in economic activities making a positive contribution is determined using at least one of the following approaches:

- Companies that are considered leaders or improvers in managing financially material environmental or social risks and opportunities: Companies performing in the top 20-40% of their peer group on environmental or social factors determined to be financially material to the company, while not falling in the bottom 20-40% in any other material environmental, social, or governance issue according to Calvert's proprietary quantitative and qualitative assessment;
- Companies considered to be addressing global challenges – climate change: Companies addressing the climate transition, which is evaluated by selecting companies that perform in the top 20-40% of their peer group on material environmental factors, and supported with a qualitative assessment of companies' green solutions, carbon reduction commitments, carbon emission performance trends and/or their progress toward meeting any commitments through their products and services and/ or which demonstrate commitment to the goal of reaching transition;
- Companies considered to be addressing global challenges – diversity, equity and inclusion leaders and improvers: Companies that demonstrate leadership are evaluated based on the gender balance across different levels of the workforce and/or demonstrating leadership in ethnic diversity members relative to the country's demographic in certain applicable countries, as well as leadership in other dimensions of diversity among board members (including age, cultural background, and skill sets), and policies and procedures that adequately support equal opportunity in the hiring process, equal pay and fair promotion. Companies that demonstrate meaningful improvement in diversity practices is evidenced by 1) increased workforce diversity (gender or ethnicity), 2) demonstrated progress after a severe diversity or inclusion controversy, 3) resolved shareholder proposals (for companies based in US and Canada) on diversity and inclusion issues; or 4) identified as an engagement target by Calvert on diversity and inclusion issues;
- Companies considered to be addressing global challenges – other: Companies whose business practices, products or solutions, or operations make a positive contribution to an environmental or social objective. To determine and document whether a company is making a positive contribution, a variety of data sources may be used, including third party vendor data and proprietary assessments of the alignment of corporate revenues, capital expenditures, business models, or operational metrics with defined environmental or social objectives.

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-

***How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?***

The Fund seeks to ensure that the sustainable investments of the Fund do not cause significant harm to relevant environmental or social sustainable investment objectives by:

- applying the Calvert Principles to determine an eligible investment universe that limits exposure to companies performing poorly on ESG matters;
- testing whether the investment meets the thresholds set by Calvert for each of the mandatory principal adverse impact (“PAI”) indicators (see the response to the question, “*How have the indicators for adverse impacts on sustainability factors been taken into account?*” below for the details of this process); and
- ensuring that the sustainable investments of the Fund are aligned with the OECD Guidelines for Multinational Enterprises and the UN Principles on Business and Human Rights (see the response to the question, “*How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights?*” below for the details of this process).

***How have the indicators for adverse impacts on sustainability factors been taken into account?***

The Fund firstly accounts for adverse impacts on sustainability factors through the application of Calvert’s existing policies and the Calvert Principles which, as noted previously, consider how the investee companies’ impacts – positive and negative – on the environment, society, and human rights (among other ESG issues) through their activities or corporate behaviour, can have financially material effects on their business.

Calvert additionally tests all sustainable investments against the PAIs which are mandatory to consider under the EU Sustainable Finance Disclosure Regulation (“SFDR”) rules and which are relevant to the investment. Calvert does this using a combination of quantitative and qualitative tests, using available third party and proprietary data for each PAI.

Calvert seeks data that is most closely aligned with each individual PAI. In some cases third party data is limited and if issuers or specific issues are not covered by a vendor for a particular PAI Calvert will supplement with best available proxy indicators or qualitative analysis.

Calvert applies the following types of tests on the PAIs to sustainable investments in order to determine if the investment may be causing significant harm:

1. With respect to PAI indicators for which Calvert considers sufficient and reliable quantitative data is available across the investment universe, Calvert determines whether the adverse impact associated with the issuer’s activities is significant based on the issuer’s relative ranking within a peer group or benchmark universe, or based on an absolute standard of performance, as appropriate for the specific PAI.
2. For PAIs where data availability or quality is too limited to enable a quantitative analysis (e.g., activities negatively affecting biodiversity-sensitive areas) Calvert assesses significant harm on a qualitative basis using available proxy data.

In cases where third party or vendor data suggests a sustainable investment may be causing significant harm, Calvert conducts additional desktop research to better

understand and assess negative impacts. If Calvert concludes that the issuer is not causing significant harm based on its analysis, the rationale for that decision will then be documented.

Calvert may conclude an issuer is not causing significant harm if:

- (i) the issuer has taken demonstrated steps and actions to address the potential significant harm such as through the adoption of time bound targets and goals or dedicated remediation activities and there are clear meaningful signs of improvement and positive change;
- (ii) the issuer has been identified by news sources and data vendors as being involved or potentially being involved in a controversy, however the controversy is at the level of unverified allegations; or the underlying issue now appears to be resolved through corporate, regulator or other action; or data vendor information available about the controversy is considered out of date by at least a year and further information showing steps towards positive resolution of the controversy are available;
- (iii) the underlying third party data point is subjective in nature (e.g. vendors make different assessments of UNGC compliance given differing proprietary methodologies in the absence of a UN-defined list of violators) and Calvert's own research provides an alternative viewpoint;
- (iv) Calvert has reason to believe that third party data is inaccurate (e.g. outdated, or based on estimates or flawed data assumptions) and Calvert's own research demonstrates that the issuer is not causing significant harm; or
- (v) Calvert has taken action to engage with the underlying issuer on the specific areas of potential harm to ensure adequate remedial steps are taken.

The Investment Advisor will keep such investments under review.

In cases where Calvert determines that an issuer is causing significant harm according to PAIs, the investment will be deemed not sustainable and it will not be counted towards the sustainable investment allocation of the Fund.

Calvert may use reasonable proxy indicators sourced from third parties to address the current lack of data for certain PAIs. Calvert's use of proxy indicators will be kept under review and will be replaced by alternative or enhanced sources, when it determines that sufficiently reliable data has become available.

— — — *How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:*

For its sustainable investments, Calvert monitors business practices on an ongoing basis, through data on ESG controversies and standards screening sourced from third party providers. Calvert will make assessments on controversy cases that it views as being severe based on information from 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 as long as alignment with the portfolios environmental or social characteristics is maintained.

Through the application of the Calvert Principles to all investments in the Fund, the Fund incorporates consideration of the themes and values set out in the OECD Guidelines for Multi-National Enterprises and the UN Guiding Principles.

In particular, application of the Calvert Principles considers whether issuers:

- demonstrate poor management of environmental risks or contribute significantly to local or global environmental problems;
- demonstrate a pattern of employing forced, compulsory or child labour;
- exhibit a pattern and practice directly or through the company's supply chain of human rights violations or are complicit in human rights violations committed by governments or security forces, including those that are under U.S. or international sanction for human rights abuses; or
- exhibit a pattern and practice of violating the rights and protections of Indigenous Peoples.

In addition, sustainable investments are screened using third party data regarding the issuer's compliance with the UN Guiding Principles on Business and Human Rights. Where the application of this screen reveals potential non-compliance, Calvert conducts additional desktop research to verify the issuer's non-compliance. Should Calvert determine that the issuer is appropriate for inclusion in the Fund notwithstanding the results of the third party screen (for example because of historical instances of non-compliance which have since been remediated in Calvert's view), Calvert will document its rationale for inclusion.

*The EU Taxonomy sets out a "do not significant harm" principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.*

*The "do no significant harm" principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.*

*Any other sustainable investments must also not significantly harm any environmental or social objectives.*



#### Does this financial product consider principal adverse impacts on sustainability factors?

- Yes
- No

In considering whether an investment held in the Fund is to be regarded as a sustainable investment, Calvert determines each issuer's compliance with the themes and values set out in the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles, which are contained in PAI #10 and which is therefore considered for all investments in the Fund.



**The investment strategy** guides investment decisions based on factors such as investment objectives and risk

The Fund will make information available on how it has incorporated the PAIs in its periodic reports to investors.

### **What investment strategy does this financial product follow?**

The Fund will invest in equity securities of companies located globally with sustainable business models. Furthermore, the Fund will invest in companies that, in the opinion of the Investment Adviser, exhibit, through their operations and business practices, sound management of ESG characteristics. These characteristics include environmental sustainability, resource efficiency, support for equitable societies and respect for human rights, accountable governance, and transparent operations. The Investment Adviser focuses on the long-term ownership of companies with sustainable business models, believing that the real value in a stock lies in its ability to compound cash flow over time. The Investment Adviser seeks to identify high or improving quality companies with secular growth characteristics, high or improving returns on invested capital, sustainable competitive advantages, durable balance sheets, and a strong capital allocation record that are trading at a discount to the Investment Adviser's estimate of the security's intrinsic value. The Investment Adviser seeks to build a concentrated and balanced portfolio that may participate in rising markets and exhibit resilience in weaker market environments. The Investment Adviser seeks to manage individual security risk through analysis of each security's risk/reward potential and to manage portfolio risk by constructing a diversified portfolio of what it believes to be attractively valued growth companies. The Investment Adviser may sell a security when its fundamentals deteriorate, when its valuation is no longer attractive, or when other securities are identified to displace a current holding.

#### **● What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?**

The binding elements of the investment strategy used to select the investments to achieve the E/S characteristics promoted are the following:

- The Fund will only invest in names that are considered eligible for investment in accordance with the Calvert Principles
- At least 50% of the Fund's investments will qualify as sustainable investments under SFDR.

All companies in the investment universe and which are held in the Fund must be eligible according to the Calvert Principles, which assess companies based on their management of material environmental and social factors. Companies that are not adequately managing financially material environmental and social factors are deemed ineligible for investment. This assessment is performed using Calvert's research process and the CRS, as described in response to the question above: "What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?" Where a company is no longer deemed eligible for investment in accordance with the Calvert Principles, it will be divested from the Fund within a reasonable time period and taking into account the interests of shareholders.

#### **● What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?**

The Fund does not target a specific reduction rate of the scope of investments.

**Good governance** practices include sound management structures, employee relations, remuneration of staff and tax compliance.

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.



● **What is the policy to assess good governance practices of the investee companies?**

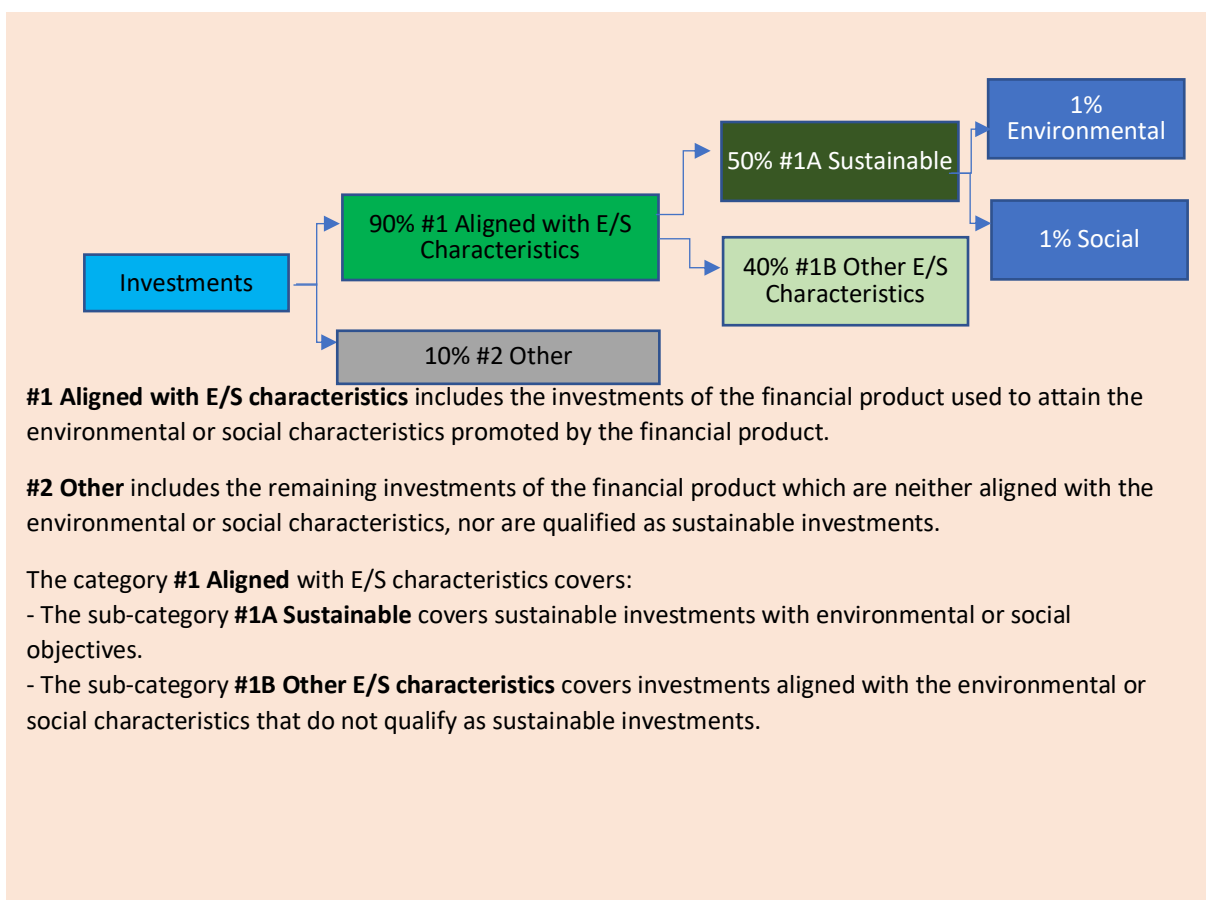
Within the CRS, the Calvert Governance Score is a common element across all peer group models. It is designed to capture the relationship between corporate governance and financial performance and to reduce country bias in company-level governance scoring.

The score breaks issuers into four country clusters based on written rules and market practices in those countries.

The score then applies 10 custom composite KPIs weighted by financial materiality within each country context. The KPIs assess the issuer’s corporate governance and business practices, including but not limited to evidence of sound management structures and employee relations, fair remuneration of staff, and tax compliance, in order to ensure that every investee company follows good governance practices.

When ESG data is very limited, a more qualitative research approach is taken. In these cases, the Calvert Governance Score is not generated, but a qualitative review of the company’s governance is conducted subject to the same oversight process as quantitatively scored issuers, including review by Calvert’s Responsible Research Review Committee.

**What is the asset allocation planned for this financial product?**



90% of the Fund’s assets will be held in investments that promote the E/S characteristics of the Fund. The remaining 10% will be cash and derivatives that are not aligned with the environmental and social characteristics of the Fund. Of the 90% of assets promoting E/S characteristics, a minimum of 50% will



also be sustainable investments. Of this minimum 50% allocation to sustainable investments, a minimum of 1% will have an environmental objective, and a minimum of 1% will have a social objective, which can both vary independently at any time.

These percentages are measured according to the value of the investments.

● **How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?**

Not applicable.



**To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?**

The Fund does not commit to making a minimum portion of sustainable investments with an environmental objective aligned with the EU Taxonomy.

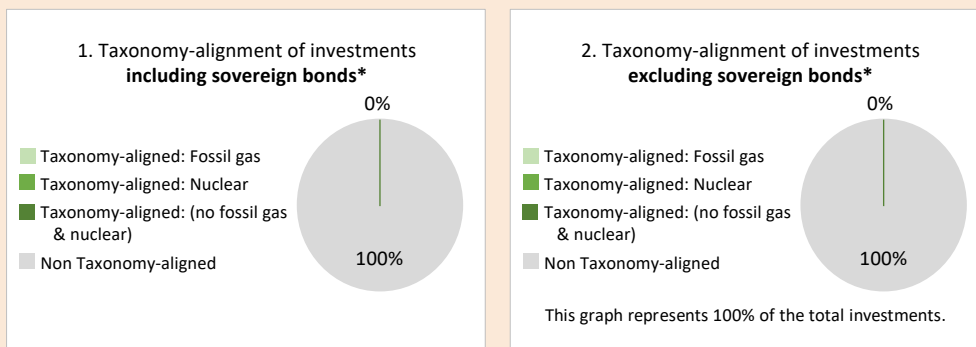
● **Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy<sup>1</sup>?**

Yes:

In fossil gas     In nuclear energy

No

*The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.*



\* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures.

To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

**Transitional activities** are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best

<sup>1</sup> Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objective - see explanatory note in the left hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

● **What is the minimum share of investments in transitional and enabling activities?**

Although the Fund commits to invest in sustainable investments within the meaning of the SFDR, there is no commitment to a minimum share of investments in transitional and enabling activities.



**What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?**

The Fund intends to make a minimum of 50% of sustainable investments as defined under the SFDR. Among these, the Fund commits to make a minimum of 1% of sustainable investments with an environmental objective and 1% of sustainable investments with a social objective which can both vary independently at any time. These sustainable investments will represent at least 50% of the portfolio holdings on an aggregated basis.

Although some of these sustainable investments may be Taxonomy aligned, due to lack of available data regarding the Taxonomy alignment of the underlying securities, the Investment Adviser has not been able to confirm whether these investments are in fact Taxonomy aligned and accordingly will not consider them as such in calculations until this data is reported on or otherwise becomes more reliable.



**What is the minimum share of socially sustainable investments?**

The Fund intends to make a minimum of 50% of sustainable investments as defined under the SFDR. Among these, the Fund commits to make a minimum of 1% of sustainable investments with an environmental objective and 1% of sustainable investments with a social objective which can both vary independently at any time. These sustainable investments will represent at least 50% of the portfolio holdings on an aggregated basis.



**What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?**

The Fund may have investments in hedging instruments for efficient portfolio management and in cash as ancillary liquidity. These instruments are included in the “#2 Other” category and are not subject to environmental and/or social screening or any minimum environmental or social safeguards.



**Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?**

Not applicable.



**Where can I find more product specific information online?**

More product-specific information can be found on the website:

[https://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite\\_msinvf\\_calvertgl\\_obalequity\\_en.pdf](https://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite_msinvf_calvertgl_obalequity_en.pdf)



are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities under the EU Taxonomy.

**Reference benchmarks** are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.

Template pre-contractual disclosure for the financial products referred to in Article 9, paragraphs 1 to 4a, of Regulation (EU) 2019/2088 and Article 5, first paragraph, of Regulation (EU) 2020/852

**Product name:** Calvert Sustainable Climate Aligned Fund  
**Legal entity identifier:** 549300Q2RHPRD81Y4C87

## Sustainable investment objective

**Does this financial product have a sustainable investment objective?**

<input checked="" type="radio"/> <input checked="" type="radio"/> <input checked="" type="checkbox"/> <b>Yes</b>	<input type="radio"/> <input type="radio"/> <input type="checkbox"/> <b>No</b>
<p><input checked="" type="checkbox"/> It will make a minimum of <b>sustainable investments with an environmental objective: 90 %</b></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input checked="" type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> </ul> <p><input type="checkbox"/> It will make a minimum of <b>sustainable investments with a social objective: ___%</b></p>	<p><input type="checkbox"/> It promotes <b>Environmental/Social (E/S) characteristics</b> and while it does not have as its objective a sustainable investment, it will have a minimum proportion of ___% of sustainable investments</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> with a social objective</li> </ul> <p><input type="checkbox"/> It promotes E/S characteristics, but <b>will not make any sustainable investments</b></p>

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not include a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.



**Sustainability indicators** measure how the sustainable objectives of this financial product are attained.

## What is the sustainable investment objective of this financial product?

The Calvert Sustainable Climate Aligned Fund's sustainable investment objective is to invest in companies located in developed markets that are involved in economic activities that address climate transition and/or are those that the Investment Adviser assess to be contributing to the long-term de-carbonisation objectives of the Paris Agreement.

In addition, the Fund will maintain a carbon footprint of at least 50% less than the MSCI World Index. The goal is to reduce the emissions year-on-year to reach net zero at portfolio level by 2050 or earlier.

In light of the above, this Fund has a reduction in carbon emissions as its objective. In pursuing this objective this Fund does not track or otherwise align with the methodology of an EU Climate Transition Benchmark or an EU Paris-Aligned Benchmark. The Investment Adviser, however, ensures that the continued effort of reducing carbon emissions is ensured in view of achieving the objectives of the Paris Agreement through the application of the characteristics described above.

The Fund's approach diverges from the methodology for an EU Climate Transition Benchmark ("**EU CTB**") or an EU Paris-aligned Benchmark ("**EU PAB**"), in particular in the following respects:

- The Fund seeks to maintain a carbon footprint of at least 50% of the MSCI World Index and targets a 7% per annum decarbonisation trajectory at overall portfolio level, whereas the EU CTB and EU PAB methodologies target a 7% per annum trajectory at security level.
- An EU CTB and an EU PAB must have an aggregated exposure to certain sectors that highly contribute to climate change which is at least equivalent to the aggregated exposure of the underlying investable universe to those sectors. The Fund may not always meet this objective for all relevant sectors, but will apply other sector constraints. The Fund also applies constraints on high carbon emitting entities based on carbon emissions compared to the MSCI World Index in aggregate. In addition, the Fund will overweight climate solution providers compared to their weight in the MSCI World Index. The constraints on these sectors and activities are based on concentration limits and are not on an "at least" basis.
- EU PABs are required to exclude certain companies, including companies that derive 1% or more of their revenues from certain activities relating to hard coal and lignite, 10% or more of their revenues from certain activities relating to oil fuels, 50% or more of their revenues from certain activities relating to gaseous fuels, or 50% or more of their revenues from electricity generation with a GHG intensity higher than 100g CO<sub>2</sub> e/kWh. The Fund follows this list of excluded companies on a non-binding basis, and therefore may invest in such companies on an exceptional basis.
- For GHG intensity calculations, the EU CTB and the EU PAB methodologies require Enterprise Value including Cash ("**EVIC**") to be adjusted by an enterprise value inflation factor to reflect year-on-year changes in average EVIC of the benchmark and use euros as the base currency. The Fund currently uses this same inflation factor methodology, but may make adjustments in future where that is required, in the view of the Investment Adviser, due to market dynamics and uses US dollars as the base currency for its GHG intensity calculations.
- In cases where decarbonisation trajectory targets are not met in a given year, EU CTBs and EU PABs must upwardly adjust targets for the following year to compensate. In instances where the Fund does not meet its 7% per annum decarbonisation trajectory in any given year, the Fund will endeavour to "catch up" with its decarbonisation trajectory targets in following years. The Investment Adviser will, however, also consider overall market conditions to avoid unnecessary turnover in the Fund's holdings, meaning that the Fund may not in all circumstances "catch up" in the following year (though it would remain the Investment Adviser's intention to do so once market conditions permit)

EU CTBs and EU PABs must consider Scope 3 GHG emissions data on a phased-in basis. The Fund considers Scope 3 GHG emissions data for all sectors currently required to be considered by EU CTBs and EU PABs, but may make adjustments to the sectors in relation to which it considers Scope 3 GHG emissions data in future.

Data regarding carbon emissions is generally obtained from third-party data providers, but on limited occasions may be sourced from sustainability reports published by investee companies. The Investment Adviser shall determine, using its proprietary internal methodology, the most accurate carbon emissions figure (in the view of the Investment Adviser) based on whether carbon emissions

figures were self-reported or estimated. Where investee companies do not disclose carbon emissions information, the Investment Adviser shall make reasonable estimates based on its business activities, but shall when calculating its estimates penalise that investee company for not publishing adequate data. The Investment Adviser's methodology for determining carbon emissions figures for investee companies is subject to ongoing research, and the Investment Adviser's methodology may therefore change from time to time.

The Fund has not designated a reference benchmark for the purposes of achieving its sustainable investment objective.

● ***What sustainability indicators are used to measure the attainment of the sustainable investment objective of this financial product?***

All investments in the Fund will be evaluated under the Calvert Principles for Responsible Investment (the "Calvert Principles"). The Calvert Principles assess investee company activities and behaviours across a number of ESG themes (which are considered on a financial materiality basis) to determine their eligibility for Calvert funds. Portfolio managers then construct a portfolio of eligible issuers that meet their investment objective.

To conduct this analysis, Calvert developed the proprietary Calvert Research System ("CRS") that leverages indicators sourced from third party data vendors, external research partners, and Calvert's own proprietary custom indicators to support measurement and ranking of company performance on different ESG themes. An expert team of ESG sector analysts assess companies across the investable universe creating peer groups with similar ESG issues. Each peer group is evaluated and a thesis is developed to determine the themes which are most financially material to the group. A specific set of themes and underlying relevant indicators deemed to be financially material to the company's specific peer group are scored, assigned and weighted. Additionally, our team of analysts review circumstantial information (current and ongoing issues) from data vendors and news sources to determine if the company may have issues detrimental to its performance. The circumstantial review is applied as a discount to a company's overall score in the CRS system. The analyst then reviews the information from CRS to determine if the company meets the Calvert Principles. Such determinations are then presented to and approved by Calvert's Research Review Committee. The following themes are considered in CRS, as applicable, depending on a company's peer group and the financial materiality of each theme to that peer group:

- Environmental themes:
  - Biodiversity & Land
  - Climate & Energy
  - Overall Management of Environmental Risks
  - Packaging and Electronic Waste
  - Pollution and Waste
  - Environmental Impacts of the Supply Chain
  - Water
- Social themes:
  - Employee Health and Safety
  - Valuing Human Capital & Labour Management
  - Privacy & Data Security
  - Product Integrity
  - Stakeholder Relations
  - Social Impacts of the Supply Chain

The themes listed above are each supported by several sub-themes that feed into the over 200 peer group models housed within CRS. In total, over 700 underlying vendor data points feed into these environmental and social thematic indicators.

From the securities that are deemed eligible according to the Calvert Principles, securities are selected for this portfolio based on the contribution of their products and services in addressing

the climate transition and/or companies that demonstrate commitment to the goal of net zero greenhouse gas emissions by 2050 or sooner. The Investment Adviser evaluates carbon reduction commitments, carbon emission trends and progress toward meeting net zero commitments in its assessment.

**Carbon Footprint:**

The Fund's carbon footprint is measured by the Fund's and investee companies' carbon footprint. The Fund will maintain a carbon footprint at least 50% lower than the carbon footprint of the MSCI World Index. The sustainability indicator measured for this commitment is tonnes of GHG per \$1million enterprise value.

The Fund uses a proprietary multi-vendor approach to measure carbon emissions. The fund primarily measures scope 1 and 2 emissions, but includes Scope 3 emissions for certain sectors, for which, in the view of the Investment Adviser, Scope 3 emissions are likely to constitute a material factor in overall carbon emissions.

● ***How do sustainable investments not cause significant harm to any environmental or social sustainable investment objective?***

The Fund seeks to ensure that the sustainable investments of the Fund do not cause significant harm to relevant environmental or social sustainable investment objectives by:

- applying the Calvert Principles to determine an eligible investment universe that excludes limits exposure to companies performing poorly on ESG matters;
- testing whether the investment meets the thresholds set by the Investment Adviser for each of the mandatory principal adverse impact ("PAI") indicators (see the response to the question, "*How have the indicators for adverse impacts on sustainability factors been taken into account?*" below for the details of this process); and
- ensuring that the sustainable investments of the Fund are aligned with the OECD Guidelines for Multinational Enterprises and the UN Principles on Business and Human Rights (see the response to the question, "*How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights?*" below for the details of this process).

Additionally, the investment management team reviews the portfolio holdings to determine if the company is involved in issues that would fall into a category of significant harm that is not captured by the above process.

– *How have the indicators for adverse impacts on sustainability factors been taken into account?*

The Fund firstly accounts for adverse impacts on sustainability factors through the application of Calvert's existing policies and the Calvert Principles which, as noted previously, consider the financially material negative impacts of investee companies on the environment, society, and human rights (among other ESG issues) through their activities or behaviour.

The Investment Adviser additionally tests all investments against the PAI indicators (listed below) which are mandatory for the Investment Adviser to consider under the EU Sustainable Finance Disclosure Regulation ("**SFDR**") rules and which are relevant to the investment. The Investment Adviser does this using a combination of quantitative and qualitative tests, using available third party and proprietary data for each PAI indicator.

PAI indicators:

**Investee companies**

1. GHG emissions
2. Carbon Footprint
3. GHG intensity of investee companies

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

4. Exposure to companies active in the fossil sector
5. Share of non-renewable energy consumption and production
6. Energy consumption intensity per high impact climate sector
7. Activities negatively affecting biodiversity sensitive areas
8. Emissions to water
9. Hazardous waste ratio
10. Violations of UN Global Compact and OECD
11. Lack of processes and compliance mechanisms to monitor compliance with the UNGC and OECD
12. Unadjusted gender pay gap
13. Board gender diversity
14. Exposure to controversial weapons

The Investment Adviser seeks data that is most closely aligned with each individual PAI. In some cases third party data is limited and if issuers are not covered by a vendor for a particular PAI the Investment Adviser will supplement with best available proxy indicators.

The Investment Adviser applies the following types of tests on the PAIs in order to determine if the investment is causing significant harm:

1. With respect to PAI indicators for which the Investment Adviser considers sufficient and reliable quantitative data is available across the investment universe, the Investment Adviser determines whether the adverse impact associated with the issuer's activities is significant based on the issuer's relative ranking to the overall investment universe and/or peer group.
2. For PAIs where data availability or quality is too limited to enable a quantitative analysis (e.g., activities negatively affecting biodiversity-sensitive areas) the Investment Adviser assesses significant harm on a qualitative basis using a combination of its own internal research and other available data.

In cases where PAI data suggests an investment may be causing significant harm, the Investment Adviser conducts additional desktop research to better understand and assess negative impacts indicated by third party or proprietary data. If the Investment Adviser concludes that the issuer is not causing significant harm based on its analysis, it may proceed with the investment and the rationale for that decision will then be documented. The Investment Adviser may conclude an issuer is not causing significant harm if:

- (i) the issuer has taken demonstrated steps and actions to address the potential significant harm such as through the adoption of timebound targets and goals or dedicated remediation activities and there are clear and meaningful signs of improvement and positive change;
- (ii) the issuer has been identified by news sources and data vendors as potentially being involved in a controversy, but the issue is unresolved and the role of the issuer in causing harm is unclear, in these cases the Investment Adviser monitors the case on an ongoing basis to clarify its assessment as more information become available
- (iii) the underlying third party datapoint is subjective in nature (e.g., there is no definitive list provided by the UNGC setting out which companies violate their guidelines, meaning that what constitutes a violation of UNGC guidelines and what constitutes lack of processes to prevent UNGC violations are determinations that each vendor needs to make individually) and the Investment Adviser's own research provides an alternative viewpoint;
- (iv) the Investment Adviser has reason to believe that third party data is inaccurate (e.g, based on estimates or flawed data assumptions) and the Investment Adviser's own research demonstrates that the issuer is not causing significant harm; or
- (v) the Investment Adviser has taken action to engage with the underlying issuer on the specific areas of potential harm to ensure adequate remedial steps are taken.

The Investment Adviser will keep such investments under review.

In cases where the Investment Adviser determines that an issuer is causing significant harm according to the PAI, it will be removed from the portfolio.

The Investment Adviser may use reasonable proxy indicators sourced from third parties to address the current lack of data for certain PAI indicators. The Investment Adviser's use of proxy indicators will be kept under review and will be replaced by PAI data from third-party data providers, when the Investment Adviser determines that sufficiently reliable data has become available.

— *How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights?*

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 make assessments on controversy cases that it views as being severe based on information from 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.

Through the application of the Calvert Principles by the Investment Adviser as appropriate for the Fund, the Fund incorporates consideration of the themes and values set out in the OECD Guidelines for Multi-National Enterprises and the UN Guiding Principles.

In particular, the Calvert Principles consider whether issuers:

- demonstrate poor management of environmental risks or contribute significantly to local or global environmental problems;
- demonstrate a pattern of employing forced, compulsory or child labor;
- exhibit a pattern and practice directly or through the company's supply chain of human rights violations or are complicit in human rights violations committed by governments or security forces, including those that are under U.S. or international sanction for human rights abuses; or
- exhibit a pattern and practice of violating the rights and protections of Indigenous Peoples.

The portfolio is expected to have no or limited exposure to such issuers – unless the Investment Adviser considers that the issuer is taking appropriate remedial steps or is overall exhibiting a strong performance across the themes set out above.

In addition, investments are screened using third party data regarding the issuer's compliance with the UN Guiding Principles on Business and Human Rights. Where the application of this screen reveals potential non-compliance, the Investment Adviser conducts additional desktop research to verify the issuer's non-compliance. Should the Investment Adviser determine that the issuer is appropriate for inclusion in the Fund notwithstanding the results of the third party screen (for example because of historical instances of non-compliance which have since been remediated in the Investment Adviser's view), the Investment Adviser will document its rationale for inclusion.



*The EU Taxonomy sets out a “do not significant harm” principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.*

*The “do no significant harm” principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.*

*Any other sustainable investments must also not significantly harm any environmental or social objectives.*

Regulation requires that this document include these statements. However, for the avoidance of doubt, this Fund does not: (i) take into account the EU criteria for environmentally sustainable economic activities in the EU Taxonomy; or (ii) calculate its portfolio alignment with the EU Taxonomy. As such, the Fund is 0% aligned with the EU Taxonomy. The “do no significant harm” principle applies only to the portion of the Fund’s investments that are sustainable investments.



### Does this financial product consider principal adverse impacts on sustainability factors?

Yes

No

The Fund takes the mandatory PAI indicators into account for all its sustainable investments using a combination of qualitative and quantitative criteria, as explained above in response to the question “How have the indicators for adverse impacts on sustainability factors been taken into account?”

The Fund will make information available on how it has incorporated the PAIs into the Fund in its periodic reports to investors.



### What investment strategy does this financial product follow?

The Calvert Sustainable Climate Aligned Fund’s investment objective is to provide long-term capital appreciation, measured in US Dollars, primarily investing in equity securities (as listed below) of companies located in developed markets that are involved in economic activities that address climate transition and/or are aligned to the long-term de-carbonisation objectives of the Paris Agreement. The Fund is actively managed by the Investment Adviser on an ongoing basis in accordance with its investment strategy. The investment process is subject to regular review, as part of a control and monitoring framework implemented by the Investment Adviser and the Management Company. The Investment Adviser’s Compliance, Risk and Portfolio Surveillance teams collaborate with the investment team to conduct regular portfolio/performance reviews and systemic checks to ensure compliance with portfolio investment objectives, investment and client guidelines, taking into account changing market conditions, information and strategy developments.

**The investment strategy** guides investment decisions based on factors such as investment objectives and risk tolerance.

● ***What are the binding elements of the investment strategy used to select the investments to attain the sustainable investment objective?***

The Fund will aim to only make sustainable investments, alongside investments for hedging or liquidity purposes, as set out below.

All companies in the investment universe must firstly be deemed eligible for investment according to the Calvert Principles, which assess companies based on their management of material environmental, social and governance factors. Companies that are not adequately managing financially material environmental and social factors are deemed ineligible for investments. This assessment is performed using CRS and analyst decisions as described in response to the question

above, “What sustainability indicators are used to measure the attainment of the sustainable investment objective of this financial product?”. From the eligible universe, companies will be included in the portfolio only if they demonstrate leadership across environmental and/or climate issues through their activities or behaviours.

After applying the Calvert Principles, the investment team uses a combined quantitative and qualitative process to select portfolio holdings that demonstrate environmental/climate leadership or improvement. This process results in a portfolio of the top 15-30% of companies based on environmental/climate factors as compared to the starting universe.

From a quantitative approach, the Investment Adviser seeks to identify addressing the climate challenge through their products or services and/or companies that demonstrate commitment to the goal of net zero greenhouse gas emissions by 2050 or sooner. Companies are evaluated quantitatively based on environmental factors, which are selected on a materiality basis, using the Investment Adviser’s proprietary ESG scores. The proprietary ESG scores are determined using a combination of third party and customized ESG. In addition, companies are assessed based on carbon emissions trend data, intermediate and long-term carbon reduction targets. Companies in the bottom third of their peer group on these factors are typically considered ineligible for inclusion in the portfolio.

In the qualitative analysis companies are assessed based on their products and services according to Calvert’s green solution provider designation and bottom-up research, which includes carbon emissions reduction targets among other company and sector specific metrics. Companies’ climate targets and actions are compared to peers and leaders in those categories are selected.

In alignment with the EU PAB methodology, Scope 3 emissions are considered in this assessment for companies with the following NACE activities: Mining and quarrying, Manufacturing, Construction, Land transport and transport via pipelines, Postal and courier activities and Services to buildings and landscape activities. For financial companies, financed emissions (Scope 3) are also considered through an assessment of information available on their business activities related to financing the climate transition. Once a universe of climate transition and/or aligned companies is established, the Investment Adviser then constructs the portfolio through an optimization process that tilts the portfolio towards green solutions providers, while minimizing factor risks relative to the investable universe.

In addition, the fund will maintain a carbon footprint of at least 50% less than the MSCI World Index.

The Investment Advisor shall not knowingly include companies in the fund which are:

- involved with severe ESG controversies without material remediation and improvement;
- manufacturing or production of controversial weapons and civilian firearms;
- manufacturing or production of tobacco; and
- gambling.

Further, 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 where the Investment Adviser determines that there has been sufficient remediation and improvement.

**Good governance** practices include sound management structures, employee relations, remuneration of staff and tax compliance.

● **What is the policy to assess good governance practices of the investee companies?**

Within the Calvert Research System, the Calvert Governance Score is a common element across all peer group models. It is designed to capture the relationship between corporate governance and financial performance and to reduce country bias in company-level governance scoring.

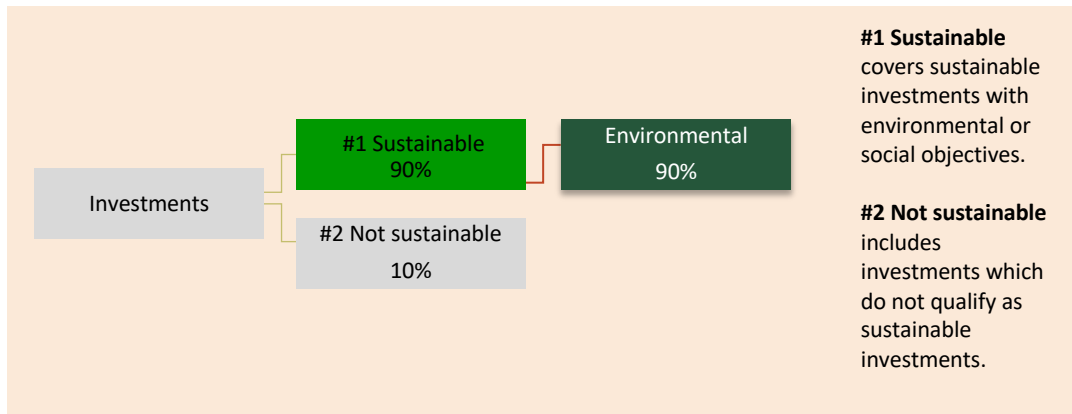
The score breaks issuers into four country clusters based on written rules and market practices in those countries.

The score then applies 10 custom composite KPIs weighted by financial materiality within each country context. The KPIs assess the issuer’s corporate governance and business practices, including but not limited to evidence of sound management structures and employee relations, fair remuneration of staff, and tax compliance, in order to ensure that every investee company follows good governance practices.



**What is the asset allocation and the minimum share of sustainable investments?**

**Asset allocation** describes the share of investments in specific assets.



The Calvert Principles and the criteria for contribution to climate transition or net zero goals (as described above in response to the question, “What are the binding elements of the investment strategy used to select the investments to attain the sustainable investment objective?”) will be applied to 90% of the companies within the portfolio and the Fund will only aim to make sustainable investments (alongside investments for hedging or liquidity purposes).

The carbon tilt which considers the MSCI World Index is applied at a portfolio level (and not at the level of individual holdings, meaning that individual holdings may have a higher weighted average carbon intensity than the portfolio level average or target).

As a result, 90% of the Fund is expected to consist of sustainable investments, and the remaining 10% is expected to consist of cash held as ancillary liquidity and hedging instruments.

The Fund will make sustainable investments, which contribute to environmental objectives.

These percentages are measured according to the portfolio weight, which is based on the market value of the investments.

● **How does the use of derivatives attain the sustainable investment objective?**

Not applicable – the Fund does not use derivatives to attain its sustainable investment objective.



**To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?**

Not applicable – the Investment Adviser does not take account of the EU Taxonomy in its management of the Fund and as such the Fund’s sustainable investments do not take into account the criteria for environmentally sustainable economic activities under the EU Taxonomy.

● **Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy<sup>1</sup>?**

Yes:

In fossil gas

In nuclear energy

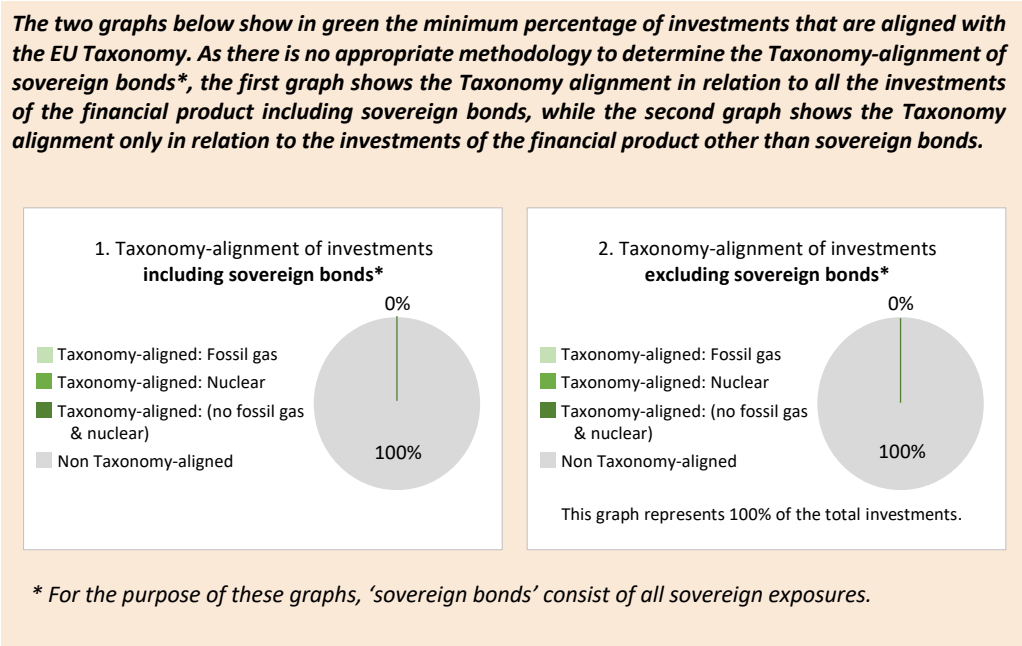
No

<sup>1</sup> Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change (“climate change mitigation”) and do not significantly harm any EU Taxonomy objective – see explanatory note in the left-hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

To comply with EU Taxonomy, the criteria for **fossil gas** include limitations on emission and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

**Transitional activities** are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.




- **What is the minimum share of investments in transitional and enabling activities?**  
Not applicable – Although the Fund commits to invest in sustainable investments within the meaning of the SFDR, there is no commitment to a minimum share of investments in transitional and enabling activities.



**What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?**

90% of the Fund’s assets are expected to comprise sustainable investments with an environmental objective that do not take into account the criteria for environmentally sustainable economic activities under the EU Taxonomy.

Although some of these sustainable investments may be Taxonomy aligned, due to lack of available data regarding the Taxonomy alignment of the underlying securities, the Investment Adviser has not been able to confirm whether these investments are in fact Taxonomy aligned and accordingly will not consider them as such in calculations until this data is reported on or otherwise becomes more reliable. The Investment Adviser uses its own methodology to determine whether certain investments are environmentally sustainable in accordance with the SFDR sustainable investment test, and then invests the Fund in such assets.

 are sustainable investments with an environmental objective that **do not take into account** the criteria for environment-ally sustainable economic activities under the EU Taxonomy.



### What is the minimum share of sustainable investments with a social objective?

As explained above, the Fund will only make sustainable investments which contribute to an environmental objective.



### What investments are included under “#2 Not sustainable”, what is their purpose and are there any minimum environmental or social safeguards?

The “#2 Not sustainable” investments held in the Fund comprise of cash held as ancillary liquidity and hedging instruments. The investments in cash are not subject to any minimum environmental and social safeguards.



### Is a specific index designated as a reference benchmark to meet the sustainable investment objective?

Not applicable

**Reference benchmarks** are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.



### Where can I find more product specific information online?

More product-specific information can be found on the website:

[https://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite\\_msinvf\\_calvertsustainableclimatealigned\\_en.pdf](https://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite_msinvf_calvertsustainableclimatealigned_en.pdf)

**Template pre-contractual disclosure for the financial products referred to in Article 9, paragraphs 1 to 4a, of Regulation (EU) 2019/2088 and Article 5, first paragraph, of Regulation (EU) 2020/852**

**Product name:**

Calvert Sustainable Climate Transition Fund

**Legal entity identifier:**

549300XY4TIZJ6K41B80

## Sustainable investment objective

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not include a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

**Does this financial product have a sustainable investment objective?**

<input checked="" type="radio"/> <input checked="" type="radio"/> <input checked="" type="checkbox"/> <b>Yes</b>	<input type="radio"/> <input type="radio"/> <input type="checkbox"/> <b>No</b>
<p><input checked="" type="checkbox"/> It will make a minimum of <b>sustainable investments with an environmental objective: 90%</b></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input checked="" type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> </ul> <p><input type="checkbox"/> It will make a minimum of <b>sustainable investments with a social objective: ___%</b></p>	<p><input type="checkbox"/> It <b>promotes Environmental/Social (E/S) characteristics</b> and while it does not have as its objective a sustainable investment, it will have a minimum proportion of ___% of sustainable investments</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> with a social objective</li> </ul> <p><input type="checkbox"/> It promotes E/S characteristics, but <b>will not make any sustainable investments</b></p>



**Sustainability indicators** measure how the sustainable objectives of this financial product are attained.

## What is the sustainable investment objective of this financial product?

The Calvert Sustainable Climate Transition Fund's investment objective is to invest in companies that help to mitigate or adapt to climate change and that qualify as sustainable investments. The Fund aims to achieve its climate change mitigation and adaptation objective by investing in companies which qualify as sustainable investments and: (a) whose business models either have a current, direct impact on lowering carbon emissions; or (b) which are investing significant capital in Property, Plant, and Equipment (PP&E), technology, and processes that will help facilitate lower carbon emissions in the future.

The Fund has not designated a reference benchmark for the purpose of attaining its sustainable investment objective.

### ● ***What sustainability indicators are used to measure the attainment of the sustainable investment objective of this financial product?***

All investments in the Fund are made at the discretion of the Investment Adviser and will be evaluated under the Calvert Principles for Responsible Investment (the "Calvert Principles"). The Calvert Principles assess investee company activities and behaviours across a number of ESG themes (which are considered on a financial materiality basis) to determine their eligibility for Calvert funds. Portfolio managers then construct a portfolio of eligible issuers that meet their investment objective.

To conduct this analysis, Calvert developed the proprietary Calvert Research System ("CRS") that leverages indicators sourced from third party data vendors, external research partners, and Calvert's own proprietary custom indicators to support measurement and ranking of company performance on different ESG themes. An expert team of ESG sector analysts assess companies across the investable universe creating peer groups with similar ESG issues. Each peer group is evaluated and a thesis is developed to determine the themes which are most financially material to the group. A specific set of themes and underlying relevant indicators deemed to be financially material to the company's specific peer group are scored, assigned and weighted. Additionally, Calvert's team of analysts review circumstantial information (current and ongoing issues) from data vendors and news sources to determine if the company may have issues detrimental to its performance. The circumstantial review is applied as a discount to a company's overall score in the CRS system. The analyst then reviews the information from CRS to determine if the company meets the Calvert Principles. Such determinations are then presented to and approved by Calvert's Research Review Committee. The following themes are considered in CRS, as applicable, depending on a company's peer group and the financial materiality of each theme to that peer group:

- **Environmental themes:**
  - o Biodiversity & Land
  - o Climate & Energy
  - o Overall Management of Environmental Risks
  - o Packaging and Electronic Waste
  - o Pollution and Waste
  - o Environmental Impacts of the Supply Chain
  - o Water
- **Social themes:**
  - o Employee Health and Safety
  - o Valuing Human Capital & Labour Management
  - o Privacy & Data Security
  - o Product Integrity
  - o Stakeholder Relations
  - o Social Impacts of the Supply Chain



The themes listed above are each supported by several sub-themes that feed into the over 200 peer group models housed within CRS. In total, over 700 underlying vendor data points feed into these environmental and social thematic indicators.

In addition to applying the Calvert Principles, the Investment Adviser seeks to identify companies engaged in climate change-focused businesses by analysing revenue, cap-ex, op-ex, R&D spend and EBITDA directly or indirectly tied to activities such as renewable power, water management, waste management, electrification, battery storage, certain modes of mobility, hydrogen, biofuels, and certain types of agriculture, as well as other operations that help to facilitate a lower carbon environment.

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

● ***How do sustainable investments not cause significant harm to any environmental or social sustainable investment objective?***

The Fund seeks to ensure that the sustainable investments of the Fund do not cause significant harm to relevant environmental or social sustainable investment objectives by:

- applying the Calvert Principles to determine an eligible investment universe that excludes limits exposure to companies performing poorly on ESG matters;
- testing whether the investment meets the thresholds set by the Investment Adviser for each of the mandatory principal adverse impact (“PAI”) indicators (see the response to the question, “How have the indicators for adverse impacts on sustainability factors been taken into account?” below for the details of this process); and
- ensuring that the sustainable investments of the Fund are aligned with the OECD Guidelines for Multinational Enterprises and the UN Principles on Business and Human Rights (see the response to the question, “How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights?” below for the details of this process).

Additionally, the investment management team reviews the portfolio holdings to determine if the company is involved in issues that would fall into a category of significant harm that is not captured by the above process.

– ***How have the indicators for adverse impacts on sustainability factors been taken into account?***

The Fund firstly accounts for adverse impacts on sustainability factors through the application of Calvert’s existing policies and the Calvert Principles which, as noted previously, considers the financially material negative impacts of investee companies on the environment, society, and human rights (among other ESG issues) through their activities or behaviour.

The Investment Adviser additionally tests all investments against the PAI indicators (listed below) which are mandatory for the Investment Adviser to consider under the EU Sustainable Finance Disclosure Regulation (“SFDR”) rules, and which are relevant to the investment. The Investment Adviser does this using a combination of quantitative and qualitative tests, using available third party and proprietary data for each PAI indicator.

PAI indicators:

**Investee companies**

1. GHG emissions
2. Carbon Footprint
3. GHG intensity of investee companies
4. Exposure to companies active in the fossil sector
5. Share of non-renewable energy consumption and production
6. Energy consumption intensity per high impact climate sector
7. Activities negatively affecting biodiversity sensitive areas
8. Emissions to water

9. Hazardous waste ratio
10. Violations of UN Global Compact and OECD
11. Lack of processes and compliance mechanisms to monitor compliance with the UNGC and OECD
12. Unadjusted gender pay gap
13. Board gender diversity
14. Exposure to controversial weapons

The Investment Adviser seeks data that is most closely aligned with each individual PAI. In some cases third party data is limited and if issuers are not covered by a vendor for a particular PAI the Investment Adviser will supplement with best available proxy indicators.

The Investment Adviser applies the following types of tests on the PAIs in order to determine if the investment is causing significant harm:

1. With respect to PAI indicators for which the Investment Adviser considers sufficient and reliable quantitative data is available across the investment universe, the Investment Adviser determines whether the adverse impact associated with the issuer's activities is significant based on the issuer's relative ranking to the overall investment universe and/or peer group.
2. For PAIs where data availability or quality is too limited to enable a quantitative analysis (e.g., activities negatively affecting biodiversity-sensitive areas) the Investment Adviser assesses significant harm on a qualitative basis using a combination of its own internal research and other available data.

In cases where PAI data suggests an investment may be causing significant harm, the Investment Adviser conducts additional desktop research to better understand and assess negative impacts indicated by third party or proprietary data. If the Investment Adviser concludes that the issuer is not causing significant harm based on its analysis, it may proceed with the investment and the rationale for that decision will then be documented. The Investment Adviser may conclude an issuer is not causing significant harm if:

- (i) the issuer has taken demonstrated steps and actions to address the potential significant harm such as through the adoption of timebound targets and goals or dedicated remediation activities and there is clear meaningful signs of improvement and positive change;
- (ii) the issuer has been identified by news sources and data vendors as potentially being involved in a controversy, but the issue is unresolved and the role of the issuer in causing harm is unclear, in these cases the Investment Adviser monitors the case on an ongoing basis to clarify its assessment as more information become available
- (iii) the underlying third party datapoint is subjective in nature (e.g., there is no definitive list provided by the UNGC setting out which companies violate their guidelines, meaning that what constitutes a violation of UNGC guidelines and what constitutes lack of processes to prevent UNGC violations are determinations that each vendor needs to make individually) and the Investment Adviser's own research provides an alternative viewpoint;
- (iv) the Investment Adviser has reason to believe that third party data is inaccurate (e.g, based on estimates or flawed data assumptions) and the Investment Adviser's own research demonstrates that the issuer is not causing significant harm; or
- (v) the Investment Adviser has taken action to engage with the underlying issuer on the specific areas of potential harm to ensure adequate remedial steps are taken.

The Investment Adviser will keep such investments under review.

In cases where the Investment Adviser determines that an issuer is causing significant harm according to the PAI, it will be removed from the portfolio.

The Investment Adviser may use reasonable proxy indicators sourced from third parties to address the current lack of data for certain PAI indicators. The Investment Adviser's use of proxy indicators will be kept under review and will be replaced by PAI data from third-party

data providers, when the Investment Adviser determines that sufficiently reliable data has become available.

– *How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights?*

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 make assessments on controversy cases that it views as being severe based on information from 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.

Through the application of the Calvert Principles by the Investment Adviser as appropriate for the Fund, the Fund incorporates consideration of the themes and values set out in the OECD Guidelines for Multi-National Enterprises and the UN Guiding Principles.

In particular, the Calvert Principles consider whether issuers:

- demonstrate poor management of environmental risks or contribute significantly to local or global environmental problems;
- demonstrate a pattern of employing forced, compulsory or child labor;
- exhibit a pattern and practice directly or through the company's supply chain of human rights violations or are complicit in human rights violations committed by governments or security forces, including those that are under U.S. or international sanction for human rights abuses; or
- exhibit a pattern and practice of violating the rights and protections of Indigenous Peoples.

The portfolio is expected to have no or limited exposure to such issuers – unless the Investment Adviser considers that the issuer is taking appropriate remedial steps or is overall exhibiting a strong performance across the themes set out above.

In addition, investments are screened using third party data regarding the issuer's compliance with the UN Guiding Principles on Business and Human Rights. Where the application of this screen reveals potential non-compliance, the Investment Adviser conducts additional desktop research to verify the issuer's non-compliance. Should the Investment Adviser determine that the issuer is appropriate for inclusion in the Fund notwithstanding the results of the third-party screen (for example because of historical instances of non-compliance which have since been remediated in the Investment Adviser's view), the Investment Adviser will document its rationale for inclusion.

*The EU Taxonomy sets out a “do not significant harm” principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.*

*The “do no significant harm” principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.*

*Any other sustainable investments must also not significantly harm any environmental or social objectives.*

Regulation requires that this document include these statements. However, for the avoidance of doubt, this Fund does not: (i) take into account the EU criteria for environmentally sustainable economic activities in the EU Taxonomy; or (ii) calculate its portfolio alignment with the EU Taxonomy. As such, the Fund is 0% aligned with the EU Taxonomy. The “do no significant harm” principle applies only to the portion of the Fund’s investments that are sustainable investments.



### Does this financial product consider principal adverse impacts on sustainability factors?

- Yes  
 No

The Fund takes the mandatory PAI indicators into account for all its sustainable investments using a combination of qualitative and quantitative criteria, as explained in answer to question “How have the indicators for adverse impacts on sustainability factors been taken into account?”.

The Fund will make information available on how it has incorporated the PAIs into the Fund in its periodic reports to investors.



**The investment strategy** guides investment decisions based on factors such as investment objectives and risk tolerance.

### What investment strategy does this financial product follow?

The Calvert Sustainable Climate Transition Fund’s investment objective is to seek to provide an attractive level of total return, measured in US Dollars, by investing primarily in a concentrated portfolio of equity securities, including preference shares and depositary receipts (including American Depositary Receipts (ADRs), European Depositary Receipts (EDRs), and Global Depositary Receipts (GDRs)), of companies located throughout the world that are engaged in business models that help to mitigate or adapt to climate change and that qualify as sustainable investments.

The Fund may also invest on an ancillary basis in equity securities not meeting the criteria of the Fund’s primary investments, in Fixed Income Securities, debt securities convertible into common shares, warrants and other equity linked instruments issued by any corporations engaged in climate change businesses, as well as in China A-Shares via Stock Connect provided such investments qualify as sustainable investments. The Fund may invest up to 20% of its net assets in China A-Shares via Stock Connect.

The Fund is actively managed by the Investment Adviser on an ongoing basis in accordance with its investment strategy. The investment process is subject to regular review, as part of a control and monitoring framework implemented by the Investment Adviser and the Management Company. Morgan Stanley Investment Management's Compliance, Risk and Portfolio Surveillance teams collaborate with investment teams to conduct regular portfolio/performance reviews and systemic checks to ensure compliance with portfolio investment objectives, investment and client guidelines, taking into account changing market conditions, information and strategy developments.

In relation to this Fund, the use of "Calvert" in the name refers to Calvert Research and Management ("Calvert"), whose role in relation to this Fund is limited to the provision of research to the Investment Adviser to assist the Investment Adviser in its management of the Fund. Calvert has no discretion to make or recommend investment decisions on behalf of the Fund, such investment discretion being vested solely in the Investment Adviser.

● ***What are the binding elements of the investment strategy used to select the investments to attain the sustainable investment objective?***

The Investment Adviser uses the Calvert Principles research process to identify companies that are deemed eligible for investment in the Fund using an active, fundamental bottom-up approach to determine an issuer's eligibility for investment. Companies that are not adequately managing financially material environmental, social and governance factors are deemed ineligible for investments. This assessment is performed using CRS and analyst decisions as described in response to the question above, *"What sustainability indicators are used to measure the attainment of the sustainable investment objective of this financial product?"*

Further to applying the Calvert Principles, the Fund aims to use evidence of either positive revenues, capex, op-ex, R&D spend, EBITDA or information stated in corporate investment plans to identify companies with direct or indirect linkages (e.g., supply chain) to activities such as renewable power, water management, waste management, electrification, battery storage, biofuels, certain modes of mobility, certain types of hydrogen and agriculture, or other operations that help facilitate a lower carbon environment.

● ***What is the policy to assess good governance practices of the investee companies?***

Within the Calvert Research System, the Calvert Governance Score is a common element across all peer group models. It is designed to capture the relationship between corporate governance and financial performance and to reduce country bias in company-level governance scoring.

The score breaks issuers into four country clusters based on written rules and market practices in those countries.

The score then applies 10 custom composite KPIs weighted by financial materiality within each country context. The KPIs assess the issuer's corporate governance and business practices, including but not limited to evidence of sound management structures and employee relations, fair remuneration of staff, and tax compliance, in order to ensure that every investee company follows good governance practices.

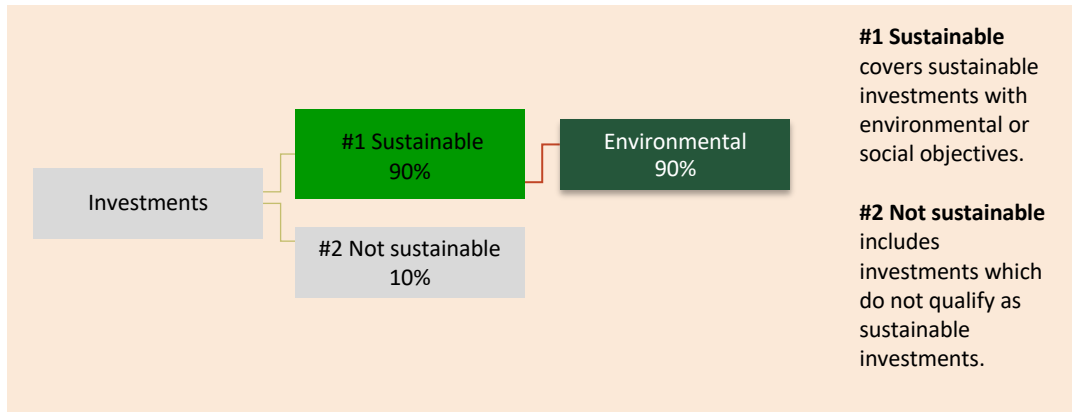
**Good governance** practices include sound management structures, employee relations, remuneration of staff and tax compliance.



## What is the asset allocation and the minimum share of sustainable investments?

### Asset allocation

describes the share of investments in specific assets.



The Calvert Principles and the criteria for climate mitigation and adaptation (as described above in response to the question, “*What are the binding elements of the investment strategy used to select the investments to attain the sustainable investment objective?*”) will be applied to 90% of the investments within the portfolio and the Fund will only make sustainable investments (alongside investments for hedging or liquidity purposes).

As a result, approximately 90% of portfolio holdings of the Fund are expected to consist of sustainable investments, and the remaining 10% is expected to consist of investments held for ancillary liquidity and hedging instruments.

These percentages are measured according to the portfolio weight, which is based on the market value of the investments.

- ***How does the use of derivatives attain the sustainable investment objective?***

Not applicable – the Fund does not use any derivatives to attain its sustainable investment objective.



Taxonomy-aligned activities are expressed as a share of:

- **turnover**  
reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.

## To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

Not applicable – the Investment Adviser does not take account of the EU Taxonomy in its management of the Fund and as such the Fund’s sustainable investments do not take into account the criteria for environmentally sustainable economic activities under the EU Taxonomy.

### ● ***Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy<sup>1</sup>?***

- Yes:
- In fossil gas     In nuclear energy
- No

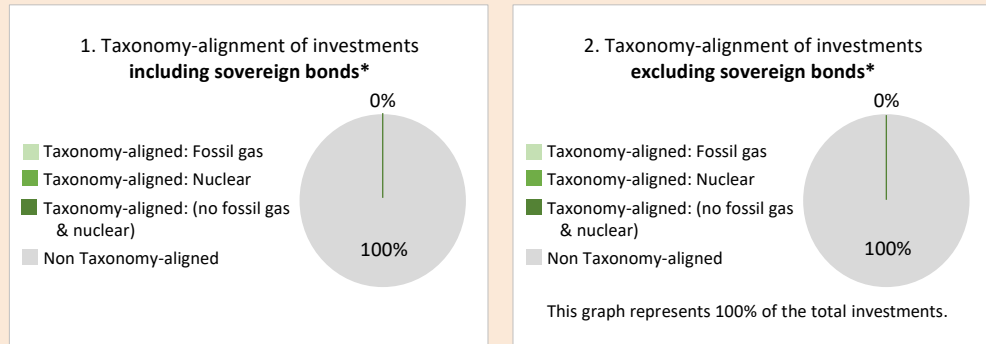
<sup>1</sup> Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change (“climate change mitigation”) and do not significantly harm any EU Taxonomy objective – see explanatory note in the left-hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

To comply with EU Taxonomy, the criteria for **fossil gas** include limitations on emission and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

**Transitional activities** are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

*The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.*



\* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures.

● **What is the minimum share of investments in transitional and enabling activities?**


Not applicable – Although the Fund commits to invest in sustainable investments within the meaning of the SFDR, there is no commitment to a minimum share of investments in transitional and enabling activities.



**What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?**

90% of the Fund’s assets are expected to comprise sustainable investments with an environmental objective that do not take into account the criteria for environmentally sustainable economic activities under the EU Taxonomy.

Although some of these sustainable investments may be Taxonomy aligned, due to lack of available data regarding the Taxonomy alignment of the underlying securities, the Investment Adviser has not been able to confirm whether these investments are in fact Taxonomy aligned and accordingly will not consider them as such in calculations until this data is reported on or otherwise becomes more reliable. The Investment Adviser uses its own methodology to determine whether certain investments are environmentally sustainable in accordance with the SFDR sustainable investment test, and then invests the Fund in such assets.

 are sustainable investments with an environmental objective that **do not take into account** the criteria for environment-ally sustainable economic activities under the EU Taxonomy.





### What is the minimum share of sustainable investments with a social objective?

Not applicable. The Fund does not invest in sustainable investments with a social objective.



### What investments are included under “#2 Not sustainable”, what is their purpose and are there any minimum environmental or social safeguards?

The “#2 Not sustainable” investments held in this Fund comprise of investments held as ancillary liquidity and hedging instruments. The investments in cash are not subject to minimum environmental and social safeguards.



### Is a specific index designated as a reference benchmark to meet the sustainable investment objective?

Not applicable

**Reference benchmarks** are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.



### Where can I find more product specific information online?

More product-specific information can be found on the website:

[https://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite\\_msinvf\\_calvert\\_sustainable\\_climate\\_transition\\_en.pdf](https://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite_msinvf_calvert_sustainable_climate_transition_en.pdf)

Template pre-contractual disclosure for the financial products referred to in Article 9, paragraphs 1 to 4a, of Regulation (EU) 2019/2088 and Article 5, first paragraph, of Regulation (EU) 2020/852

Product name:

Legal entity identifier:

Calvert Sustainable Developed Europe Equity Select Fund

549300UT4CY7ZR786J23

## Sustainable investment objective

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not include a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

**Does this financial product have a sustainable investment objective?**

<input checked="" type="radio"/> <input checked="" type="radio"/> <input checked="" type="checkbox"/> <b>Yes</b>	<input type="radio"/> <input type="radio"/> <input type="checkbox"/> <b>No</b>
<p><input checked="" type="checkbox"/> It will make a minimum of <b>sustainable investments with an environmental objective: 20%</b></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input checked="" type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> </ul> <p><input checked="" type="checkbox"/> It will make a minimum of <b>sustainable investments with a social objective: 20%</b></p>	<p><input type="checkbox"/> It <b>promotes Environmental/Social (E/S) characteristics</b> and while it does not have as its objective a sustainable investment, it will have a minimum proportion of ___% of sustainable investments</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> with a social objective</li> </ul> <p><input type="checkbox"/> It promotes E/S characteristics, but <b>will not make any sustainable investments</b></p>



**Sustainability indicators** measure how the sustainable objectives of this financial product are attained.

## What is the sustainable investment objective of this financial product?

The Calvert Sustainable Developed Europe Equity Select Fund's sustainable investment objective is to invest in companies that are either (i) involved in economic activities that address global environmental or societal challenges in areas such as environmental sustainability, diversity, equity and inclusion, respect for human rights and valuing human capital, in addition to demonstrating accountable governance and transparent operations or (ii) are leaders in managing environmental or social risks and opportunities, and in each case that are determined to be sustainable investments by the Investment Adviser.

In addition to this primary objective, the Fund will maintain a carbon profile lower than the MSCI Europe Index and maintain higher levels of board gender diversity at the portfolio level than the MSCI Europe Index.

The Fund has not designated a reference benchmark for the purpose of attaining its sustainable investment objective.

### ● **What sustainability indicators are used to measure the attainment of the sustainable investment objective of this financial product?**

All investments in the Fund will be evaluated under the Calvert Principles for Responsible Investment (the "Calvert Principles"). The Calvert Principles assess investee company activities and behaviours across a number of ESG themes (which are considered on a financial materiality basis) to determine their eligibility for Calvert funds. Portfolio managers then construct a portfolio of eligible issuers that meet their investment objective.

To conduct this analysis, Calvert developed the proprietary Calvert Research System ("CRS") that leverages indicators sourced from third party data vendors, external research partners, and Calvert's own proprietary custom indicators to support measurement and ranking of company performance on different ESG themes. An expert team of ESG sector analysts assess companies across the investable universe creating peer groups with similar ESG issues. Each peer group is evaluated and a thesis is developed to determine the themes which are most financially material to the group. A specific set of themes and underlying relevant indicators deemed to be financially material to the company's specific peer group are scored, assigned and weighted. Additionally, our team of analysts review circumstantial information (current and ongoing issues) from data vendors and news sources to determine if the company may have issues detrimental to its performance. The circumstantial review is applied as a discount to a company's overall score in the CRS system. The analyst then reviews the information from CRS to determine if the company meets the Calvert Principles. Such determinations are then presented to and approved by Calvert's Research Review Committee. The following themes are considered in CRS, as applicable, depending on a company's peer group and the financial materiality of each theme to that peer group:

- Environmental themes:
  - Biodiversity & Land
  - Climate & Energy
  - Overall Management of Environmental Risks
  - Packaging and Electronic Waste
  - Pollution and Waste
  - Environmental Impacts of the Supply Chain
  - Water
- Social themes:
  - Employee Health and Safety
  - Valuing Human Capital & Labour Management

- Privacy & Data Security
- Product Integrity
- Stakeholder Relations
- Social Impacts of the Supply Chain

The themes listed above are each supported by several sub-themes that feed into the over 200 peer group models housed within CRS. In total, over 700 underlying vendor data points feed into these environmental and social thematic indicators.

In instances where ESG data is very limited and cannot be assessed through CRS, companies may undergo a qualitative assessment to determine if the company meets the Calvert Principles.

After issuers have been rated based on CRS indicators deemed material for their peer group, the scores for environmental, social, governance and total scores are then normalised across peer groups and used to rank issuers to identify companies that are potentially leaders on environmental and/or social issues.

The Fund's additional carbon and diversity objectives are measured as follows:

- Carbon reduction is measured by weighted average carbon intensity, defined as tonnes of GHG per \$1million revenue. The Fund will maintain a substantially lower carbon footprint than the benchmark, i.e. a carbon footprint that is at least 50% less than the carbon footprint of the MSCI Europe Index. Carbon emissions is measured by Scope 1 and 2 emissions. The Fund does not consider Scope 3 emissions for this purpose.
- Diversity is measured by weighted average number of women at the board level. The Fund will maintain higher levels of board diversity at the portfolio level than to the MSCI Europe Index.

● ***How do sustainable investments not cause significant harm to any environmental or social sustainable investment objective?***

The Fund seeks to ensure that the sustainable investments of the Fund do not cause significant harm to relevant environmental or social sustainable investment objectives by:

- applying the Calvert Principles to determine an eligible investment universe that limits exposure to companies performing poorly on ESG matters;
- testing whether the investment meets the thresholds set by the Investment Adviser for each of the mandatory principal adverse impact ("PAI") indicators (see the response to the question, "How have the indicators for adverse impacts on sustainability factors been taken into account?" below for the details of this process); and
- ensuring that the sustainable investments of the Fund are aligned with the OECD Guidelines for Multinational Enterprises and the UN Principles on Business and Human Rights (see the response to the question, "How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights?" below for the details of this process).

Additionally, the investment management team reviews the portfolio holdings to determine if the company is involved in issues that would fall into a category of significant harm that is not captured by the above process.

– *How have the indicators for adverse impacts on sustainability factors been taken into account?*

The Fund firstly accounts for adverse impacts on sustainability factors through the application of Calvert's existing policies and the Calvert Principles which, as noted previously, consider the financially material negative impacts of investee companies on the environment, society, and human rights (among other ESG issues) through their activities or behaviour.

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

The Investment Adviser additionally tests all investments against the PAI indicators (listed below) which are mandatory for the Investment Adviser to consider under the EU Sustainable Finance Disclosure Regulation (“SFDR”) rules and which are relevant to the investment. The Investment Adviser does this using a combination of quantitative and qualitative tests, using available third party and proprietary data for each PAI indicator.

– *How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights?*

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 make assessments on controversy cases that it views as being severe based on information from 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.

Through the application of the Calvert Principles by the Investment Adviser as appropriate for the Fund, the Fund incorporates consideration of the themes and values set out in the OECD Guidelines for Multi-National Enterprises and the UN Guiding Principles.

In particular, the Calvert Principles consider whether issuers:

- demonstrate poor management of environmental risks or contribute significantly to local or global environmental problems;
- demonstrate a pattern of employing forced, compulsory or child labor;
- exhibit a pattern and practice directly or through the company’s supply chain of human rights violations or are complicit in human rights violations committed by governments or security forces, including those that are under U.S. or international sanction for human rights abuses; or
- exhibit a pattern and practice of violating the rights and protections of Indigenous Peoples.

The portfolio is expected to have no or limited exposure to such issuers – unless the Investment Adviser considers that the issuer is taking appropriate remedial steps or is overall exhibiting a strong performance across the themes set out above.

In addition, investments are screened using third party data regarding the issuer’s compliance with the UN Guiding Principles on Business and Human Rights. Where the application of this screen reveals potential non-compliance, the Investment Adviser conducts additional desktop research to verify the issuer’s non-compliance. Should the Investment Adviser determine that the issuer is appropriate for inclusion in the Fund notwithstanding the results of the third party screen (for example because of historical instances of non-compliance which have since been remediated in the Investment Adviser’s view), the Investment Adviser will document its rationale for inclusion.

**The investment strategy** guides investment decisions based on factors such as investment objectives and risk tolerance.

*The EU Taxonomy sets out a “do not significant harm” principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.*

*The “do no significant harm” principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.*

*Any other sustainable investments must also not significantly harm any environmental or social objectives.*

Regulation requires that this document include these statements. However, for the avoidance of doubt, this Fund does not: (i) take into account the EU criteria for environmentally sustainable economic activities in the EU Taxonomy; or (ii) calculate its portfolio alignment with the EU Taxonomy. As such, the Fund is 0% aligned with the EU Taxonomy. The “do no significant harm” principle applies only to the portion of the Fund’s investments that are sustainable investments.



### Does this financial product consider principal adverse impacts on sustainability factors?

Yes

No

The Fund takes the mandatory PAI indicators into account for all its sustainable investments using a combination of qualitative and quantitative criteria, as explained above in response to the question “How have the indicators for adverse impacts on sustainability factors been taken into account?”

The Fund will make information available on how it has incorporated the PAIs into the Fund in its periodic reports to investors.



### What investment strategy does this financial product follow?

The Calvert Sustainable Developed Europe Equity Select Fund’s investment objective is to provide long-term capital appreciation, measured in Euro, primarily investing in equity securities (as listed below) of companies located in Europe’s developed markets, based on classification in the MSCI Europe Index that are either: (1) involved in economic activities that address global environmental or societal challenges that relate to areas such as environmental sustainability and resource efficiency, diversity, equity and inclusion, respect for human rights and valuing human capital in addition to demonstrating accountable governance and transparent operations; or (2) are leaders in managing financially material environmental or social risks and opportunities, such as carbon emission management and diversity, equity and inclusion.

The Fund will maintain a substantially lower carbon footprint (at least 50% less) than that of the underlying market benchmark (MSCI Europe Index) and taking into account the long term carbon reduction objectives of the Paris Agreement which may warrant a revision of the targeted range of reduction over time.

The Fund will seek to achieve its investment objective by investing primarily in equity securities including depositary receipts (such as American Depositary Receipts (ADRs), Global Depositary Receipts (GDRs), and European Depositary Receipts (EDRs)).

The Fund is actively managed by the Investment Adviser on an ongoing basis in accordance with its investment strategy. The investment process is subject to regular review, as part of a control and monitoring framework implemented by the Investment Adviser and the Management Company. The Investment Adviser's Compliance, Risk and Portfolio Surveillance teams collaborate with the investment team to conduct regular portfolio/performance reviews and systemic checks to ensure compliance with portfolio investment objectives, investment and client guidelines, taking into account changing market conditions, information and strategy developments.

● ***What are the binding elements of the investment strategy used to select the investments to attain the sustainable investment objective?***

The Fund will aim to only make sustainable investments, alongside investments for hedging or liquidity purposes, as set out below.

All companies in the investment universe must firstly be deemed eligible for investment according to the Calvert Principles, which assess companies based on their management of material environmental, social and governance factors. Companies that are not adequately managing financially material environmental and social factors are deemed ineligible for investments. This assessment is performed using CRS and analyst decisions as described in response to the question above, "What sustainability indicators are used to measure the attainment of the sustainable investment objective of this financial product?". From the eligible universe, companies will be included in the portfolio only if they demonstrate leadership across environmental and/or social issues through their activities or behaviours.

After applying the Calvert Principles, the investment team uses a combined quantitative and qualitative process to select portfolio holdings that demonstrate ESG leadership or improvement. This process results in a portfolio of the top 20-40% of companies based on ESG factors as compared to the starting universe.

From a quantitative approach, the Investment Adviser seeks to identify companies that are Leaders in their peer group on environmental or social factors (which are assessed on a materiality basis) based on the Investment Adviser's proprietary ESG scores. The proprietary ESG scores are determined using a combination of third party and customized ESG data as a base, according to the ESG themes listed in response to the question, "What sustainability indicators are used to measure the attainment of the sustainable investment objective of this financial product?". Leadership is typically defined on a quantitative basis as issuers that are in the top third of their peer group according to the Investment Adviser's proprietary ESG scores.

After this quantitative assessment, companies identified also undergo a qualitative review to verify their leadership status. This review may result in issuers being removed or added to the investment portfolio. Issuers can only be added if there is a demonstration of leadership or significant improvement in the management of environmental or social issues.

All companies included in the portfolio must demonstrate leadership or significant improvement in a key ESG issue that drives positive impact through company operations and/or products or services. Operational leadership can be related to environmental sustainability (e.g., resource efficient, energy efficient, reducing other harmful environmental externalities) or social sustainability (e.g., effective supply chain management and stakeholder relationships and, strong human capital management, and diverse and inclusive cultures). Calvert believes that leadership in managing these operational impacts will create a healthier financial condition, enhanced competitive advantage, reduced legal / regulatory risks or strengthen company reputation and brand value. Leadership and improvement may also be expressed through a product strategy that includes products or services that address environmental or societal challenges, such as products that drive resource efficiencies or reduce pollution, or products that improve access to finance or basic services to underserved communities.

The Fund will also be managed on an ongoing basis to ensure that it has (i) a substantially lower carbon footprint (at least 50% less); and (ii) higher board diversity profile, than the MSCI Europe Index.

The Investment Advisor shall not knowingly include companies in the fund which are:

- involved with severe ESG controversies without material remediation and improvement;
- manufacturing or production of controversial weapons and civilian firearms;
- manufacturing or production of tobacco; and
- gambling.

Further, the Investment Advisor monitors business practices on an ongoing basis, through data on ESG controversies and standards screening sourced from third party providers. The Investment Advisor 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 where the Investment Advisor determines that there has been material remediation and improvement.

**Good governance** practices include sound management structures, employee relations, remuneration of staff and tax compliance.

● ***What is the policy to assess good governance practices of the investee companies?***

Within the Calvert Research System, the Calvert Governance Score is a common element across all peer group models. It is designed to capture the relationship between corporate governance and financial performance and to reduce country bias in company-level governance scoring.

The score breaks issuers into four country clusters based on written rules and market practices in those countries.

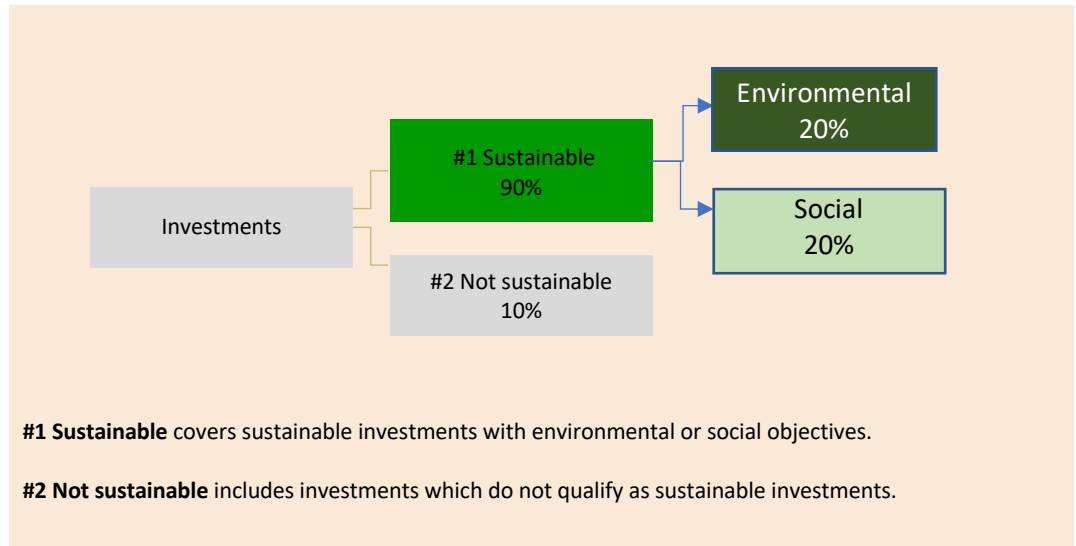
The score then applies 10 custom composite KPIs weighted by financial materiality within each country context. The KPIs assess the issuer's corporate governance and business practices, including but not limited to evidence of sound management structures and employee relations, fair remuneration of staff, and tax compliance, in order to ensure that every investee company follows good governance practices.





## What is the asset allocation and the minimum share of sustainable investments?

**Asset allocation** describes the share of investments in specific assets.



The Calvert Principles and the selection process of leaders across environmental or social issues (as described above in response to the question, “*What are the binding elements of the investment strategy used to select the investments to attain the sustainable investment objective?*”) will be applied to 90% of the investments within the portfolio and the Fund will only make sustainable investments (alongside investments held for ancillary liquidity and hedging instruments).

The carbon tilt and diversity tilt are both applied at a portfolio level (and not at the level of individual holdings, meaning that individual holdings may have a higher weighted average carbon intensity and lower weighted average number of women at the board level than the portfolio level average or target).

As a result of this process approximately 90% of portfolio holdings of the Fund are expected to consist of sustainable investments. Among these, the Fund commits to make a minimum of 20% of sustainable investments with an environmental objective and 20% of sustainable investments with a social objective which can both vary independently at any time.

The remaining approximately 10% is expected to consist of investments held for ancillary liquidity and hedging instruments.

These percentages are measured according to the portfolio weight, which is based on the market value of the investments.

- **How does the use of derivatives attain the sustainable investment objective?**

Not applicable – the Fund does not use any derivatives to attain its sustainable investment objective.



## To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

Not applicable – the Investment Adviser does not take account of the EU Taxonomy in its management of the Fund and as such the Fund’s sustainable investments do not take into account the criteria for environmentally sustainable economic activities under the EU Taxonomy.

Taxonomy-aligned activities are expressed as a share of:

- **turnover**

reflecting the share of revenue from green activities of investee companies

- **capital expenditure**

(CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.

- **operational expenditure**

(OpEx) reflecting green operational activities of investee companies.

● ***Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy<sup>1</sup>?***

Yes:

In fossil gas

In nuclear energy

No

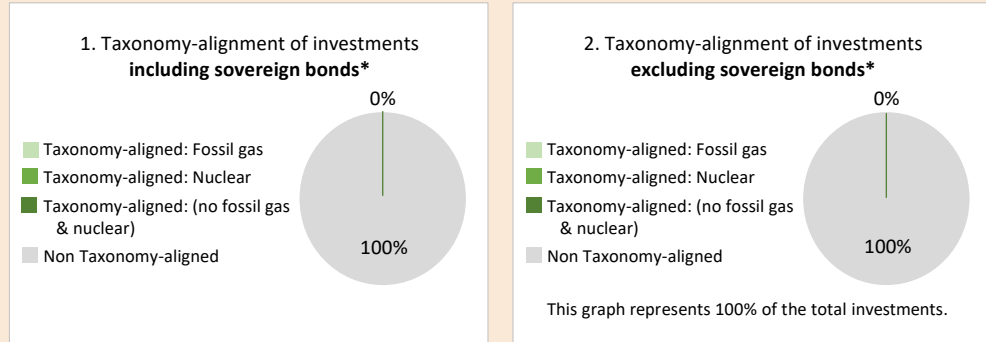
<sup>1</sup> Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change (“climate change mitigation”) and do not significantly harm any EU Taxonomy objective – see explanatory note in the left-hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

To comply with EU Taxonomy, the criteria for **fossil gas** include limitations on emission and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

**Transitional activities** are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

*The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.*



*\* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures.*

● **What is the minimum share of investments in transitional and enabling activities?**

Not applicable – Although the Fund commits to invest in sustainable investments within the meaning of the SFDR, there is no commitment to a minimum share of investments in transitional and enabling activities.



are sustainable investments with an environmental objective that **do not take into account** the criteria for environment-ally sustainable economic activities under the EU Taxonomy.

### What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?

90% of the Fund's assets are expected to comprise sustainable investments that do not take into account the criteria for environmentally sustainable economic activities under the EU Taxonomy.

As explained above, the Fund commits to a minimum of 20% of sustainable investments with an environmental objective.

Although some of these sustainable investments may be Taxonomy aligned, due to lack of available data regarding the Taxonomy alignment of the underlying securities, the Investment Adviser has not been able to confirm whether these investments are in fact Taxonomy aligned and accordingly will not consider them as such in calculations until this data is reported on or otherwise becomes more reliable. The Investment Adviser uses its own methodology to determine whether certain investments are sustainable in accordance with the SFDR sustainable investment test, and then partly invests the Fund in such assets.



### What is the minimum share of sustainable investments with a social objective?

As explained above, the Fund commits to at least 20% of sustainable investments with a social objective.



### What investments are included under “#2 Not sustainable”, what is their purpose and are there any minimum environmental or social safeguards?

The “#2 Not sustainable” investments held in the Fund comprise of cash held as ancillary liquidity and hedging instruments. The investments in cash are not subject to any minimum environmental and social safeguards.



### Is a specific index designated as a reference benchmark to meet the sustainable investment objective?

Not applicable

#### Reference

**benchmarks** are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.



### Where can I find more product specific information online?

More product-specific information can be found on the website:

[https://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite\\_msinvf\\_calvertselectabledevelopedeuropeequityselect\\_en.pdf](https://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite_msinvf_calvertselectabledevelopedeuropeequityselect_en.pdf)

**Template pre-contractual disclosure for the financial products referred to in Article 9, paragraphs 1 to 4a, of Regulation (EU) 2019/2088 and Article 5, first paragraph, of Regulation (EU) 2020/852**

**Product name:**

**Legal entity identifier:**

Calvert Sustainable Developed Markets Equity Select Fund 54930037M4G3K40KMR44

## Sustainable investment objective

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not include a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

**Does this financial product have a sustainable investment objective?**

<p><input checked="" type="radio"/> <input checked="" type="radio"/> <input checked="" type="checkbox"/> <b>Yes</b></p> <p><input checked="" type="checkbox"/> It will make a minimum of <b>sustainable investments with an environmental objective: 20%</b></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input checked="" type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> </ul> <p><input checked="" type="checkbox"/> It will make a minimum of <b>sustainable investments with a social objective: 20%</b></p>	<p><input checked="" type="radio"/> <input type="radio"/> <input type="checkbox"/> <b>No</b></p> <p><input type="checkbox"/> It <b>promotes Environmental/Social (E/S) characteristics</b> and while it does not have as its objective a sustainable investment, it will have a minimum proportion of ___% of sustainable investments</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> with a social objective</li> </ul> <p><input type="checkbox"/> It promotes E/S characteristics, but <b>will not make any sustainable investments</b></p>
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**Sustainability indicators** measure how the sustainable objectives of this financial product are attained.

## What is the sustainable investment objective of this financial product?

The Calvert Sustainable Developed Markets Equity Select Fund's sustainable investment objective is to invest in companies that are either (i) involved in economic activities that address global environmental or societal challenges in areas such as environmental sustainability, diversity, equity and inclusion, respect for human rights and valuing human capital, in addition to demonstrating accountable governance and transparent operations or (ii) are leaders in managing environmental or social risks and opportunities, and in each case that are determined to be sustainable investments by the Investment Adviser.

In addition to this primary objective, the Fund will maintain a carbon profile lower than the MSCI World Index and maintain higher levels of board gender diversity at the portfolio level than the MSCI World Index.

The Fund has not designated a reference benchmark for the purpose of attaining its sustainable investment objective.

### ● ***What sustainability indicators are used to measure the attainment of the sustainable investment objective of this financial product?***

All investments in the Fund will be evaluated under the Calvert Principles for Responsible Investment (the "Calvert Principles"). The Calvert Principles assess investee company activities and behaviours across a number of ESG themes (which are considered on a financial materiality basis) to determine their eligibility for Calvert funds. Portfolio managers then construct a portfolio of eligible issuers that meet their investment objective.

To conduct this analysis, Calvert developed the proprietary Calvert Research System ("CRS") that leverages indicators sourced from third party data vendors, external research partners, and Calvert's own proprietary custom indicators to support measurement and ranking of company performance on different ESG themes. An expert team of ESG sector analysts assess companies across the investable universe creating peer groups with similar ESG issues. Each peer group is evaluated and a thesis is developed to determine the themes which are most financially material to the group. A specific set of themes and underlying relevant indicators deemed to be financially material to the company's specific peer group are scored, assigned and weighted. Additionally, our team of analysts review circumstantial information (current and ongoing issues) from data vendors and news sources to determine if the company may have issues detrimental to its performance. The circumstantial review is applied as a discount to a company's overall score in the CRS system. The analyst then reviews the information from CRS to determine if the company meets the Calvert Principles. Such determinations are then presented to and approved by Calvert's Research Review Committee. The following themes are considered in CRS, as applicable, depending on a company's peer group and the financial materiality of each theme to that peer group:

- Environmental themes:
  - Biodiversity & Land
  - Climate & Energy
  - Overall Management of Environmental Risks
  - Packaging and Electronic Waste
  - Pollution and Waste
  - Environmental Impacts of the Supply Chain
  - Water
- Social themes:
  - Employee Health and Safety
  - Valuing Human Capital & Labour Management

- Privacy & Data Security
- Product Integrity
- Stakeholder Relations
- Social Impacts of the Supply Chain

The themes listed above are each supported by several sub-themes that feed into the over 200 peer group models housed within CRS. In total, over 700 underlying vendor data points feed into these environmental and social thematic indicators.

In instances where ESG data is very limited and cannot be assessed through CRS, companies may undergo a qualitative assessment to determine if the company meets the Calvert Principles.

After issuers have been rated based on CRS indicators deemed material for their peer group, the scores for environmental, social, governance and total scores are then normalised across peer groups and used to rank issuers to identify companies that are potentially leaders on environmental and/or social issues.

The Fund's additional carbon and diversity objectives are measured as follows:

- Carbon reduction is measured by weighted average carbon intensity, defined as tonnes of GHG per \$1million revenue. The Fund will maintain a substantially lower carbon footprint than the benchmark, i.e. a carbon footprint that is at least 50% less than the carbon footprint of the MSCI World Index. Carbon emissions is measured by Scope 1 and 2 emissions. The Fund does not consider Scope 3 emissions for this purpose.
- Diversity is measured by weighted average number of women at the board level. The Fund will maintain higher levels of board diversity at the portfolio level than to the MSCI World Index.

● ***How do sustainable investments not cause significant harm to any environmental or social sustainable investment objective?***

The Fund seeks to ensure that the sustainable investments of the Fund do not cause significant harm to relevant environmental or social sustainable investment objectives by:

- applying the Calvert Principles to determine an eligible investment universe that limits exposure to companies performing poorly on ESG matters;
- testing whether the investment meets the thresholds set by the Investment Adviser for each of the mandatory principal adverse impact ("PAI") indicators (see the response to the question, "How have the indicators for adverse impacts on sustainability factors been taken into account?" below for the details of this process); and
- ensuring that the sustainable investments of the Fund are aligned with the OECD Guidelines for Multinational Enterprises and the UN Principles on Business and Human Rights (see the response to the question, "How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights?" below for the details of this process).

Additionally, the investment management team reviews the portfolio holdings to determine if the company is involved in issues that would fall into a category of significant harm that is not captured by the above process.

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

– *How have the indicators for adverse impacts on sustainability factors been taken into account?*

The Fund firstly accounts for adverse impacts on sustainability factors through the application of Calvert’s existing policies and the Calvert Principles which, as noted previously, consider the financially material negative impacts of investee companies on the environment, society, and human rights (among other ESG issues) through their activities or behaviour.

The Investment Adviser additionally tests all investments against the PAI indicators (listed below) which are mandatory for the Investment Adviser to consider under the EU Sustainable Finance Disclosure Regulation (“SFDR”) rules and which are relevant to the investment. The Investment Adviser does this using a combination of quantitative and qualitative tests, using available third party and proprietary data for each PAI indicator.

PAI indicators:

**Investee companies**

1. GHG emissions
2. Carbon Footprint
3. GHG intensity of investee companies
4. Exposure to companies active in the fossil sector
5. Share of non-renewable energy consumption and production
6. Energy consumption intensity per high impact climate sector
7. Activities negatively affecting biodiversity sensitive areas
8. Emissions to water
9. Hazardous waste ratio
10. Violations of UN Global Compact and OECD
11. Lack of processes and compliance mechanisms to monitor compliance with the UNGC and OECD
12. Unadjusted gender pay gap
13. Board gender diversity
14. Exposure to controversial weapons

The Investment Adviser seeks data that is most closely aligned with each individual PAI. In some cases third party data is limited and if issuers are not covered by a vendor for a particular PAI the Investment Adviser will supplement with best available proxy indicators.

The Investment Adviser applies the following types of tests on the PAIs in order to determine if the investment is causing significant harm:

1. With respect to PAI indicators for which the Investment Adviser considers sufficient and reliable quantitative data is available across the investment universe, the Investment Adviser determines whether the adverse impact associated with the issuer’s activities is significant based on the issuer’s relative ranking to the overall investment universe and/or peer group.
2. For PAIs where data availability or quality is too limited to enable a quantitative analysis (e.g., activities negatively affecting biodiversity-sensitive areas) the Investment Adviser assesses significant harm on a qualitative basis using a combination of its own internal research and other available data.

In cases where PAI data suggests an investment may be causing significant harm, the Investment Adviser conducts additional desktop research to better understand and assess negative impacts indicated by third party or proprietary data. If the Investment Adviser concludes that the issuer is not causing significant harm based on its analysis, it may proceed with the investment and the rationale for that decision will then be documented. The Investment Adviser may conclude an issuer is not causing significant harm if:

- (i) the issuer has taken demonstrated steps and actions to address the potential significant harm such as through the adoption of timebound targets and goals or



- dedicated remediation activities and there are clear meaningful signs of improvement and positive change;
- (ii) the issuer has been identified by news sources and data vendors as potentially being involved in a controversy, but the issue is unresolved and the role of the issuer in causing harm is unclear, in these cases the investment adviser monitors the case on an ongoing basis to clarify its assessment as more information becomes available
  - (iii) the underlying third party datapoint is subjective in nature (e.g., there is no definitive list provided by the UNGC setting out which companies violate their guidelines, meaning that what constitutes a violation of UNGC guidelines and what constitutes lack of processes to prevent UNGC violations are determinations that each vendor needs to make individually) and the Investment Adviser's own research provides an alternative viewpoint;
  - (iv) the Investment Adviser has reason to believe that third party data is inaccurate (e.g., based on estimates or flawed data assumptions) and the Investment Adviser's own research demonstrates that the issuer is not causing significant harm; or
  - (v) the Investment Adviser has taken action to engage with the underlying issuer on the specific areas of potential harm to ensure adequate remedial steps are taken.

The Investment Adviser will keep such investments under review.

In cases where the Investment Adviser determines that an issuer is causing significant harm according to the PAI, it will be removed from the portfolio.

The Investment Adviser may use reasonable proxy indicators sourced from third parties to address the current lack of data for certain PAI indicators. The Investment Adviser's use of proxy indicators will be kept under review and will be replaced by PAI data from third-party data providers, when the Investment Adviser determines that sufficiently reliable data has become available.

– *How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights?*

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 make assessments on controversy cases that it views as being severe based on information from 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.

Through the application of the Calvert Principles by the Investment Adviser as appropriate for the Fund, the Fund incorporates consideration of the themes and values set out in the OECD Guidelines for Multi-National Enterprises and the UN Guiding Principles.

In particular, the Calvert Principles consider whether issuers:

- demonstrate poor management of environmental risks or contribute significantly to local or global environmental problems;
- demonstrate a pattern of employing forced, compulsory or child labor;
- exhibit a pattern and practice directly or through the company's supply chain of human rights violations or are complicit in human rights violations committed by governments or security forces, including those that are under U.S. or international sanction for human rights abuses; or
- exhibit a pattern and practice of violating the rights and protections of Indigenous Peoples.

The portfolio is expected to have no or limited exposure to such issuers – unless the Investment Adviser considers that the issuer is taking appropriate remedial steps or is overall exhibiting a strong performance across the themes set out above.

In addition, investments are screened using third party data regarding the issuer’s compliance with the UN Guiding Principles on Business and Human Rights. Where the application of this screen reveals potential non-compliance, the Investment Adviser conducts additional desktop research to verify the issuer’s non-compliance. Should the Investment Adviser determine that the issuer is appropriate for inclusion in the Fund notwithstanding the results of the third party screen (for example because of historical instances of non-compliance which have since been remediated in the Investment Adviser’s view), the Investment Adviser will document its rationale for inclusion.

*The EU Taxonomy sets out a “do not significant harm” principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.*

*The “do no significant harm” principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.*

*Any other sustainable investments must also not significantly harm any environmental or social objectives.*

Regulation requires that this document include these statements. However, for the avoidance of doubt, this Fund does not: (i) take into account the EU criteria for environmentally sustainable economic activities in the EU Taxonomy; or (ii) calculate its portfolio alignment with the EU Taxonomy. As such, the Fund is 0% aligned with the EU Taxonomy. The “do no significant harm” principle applies only to the portion of the Fund’s investments that are sustainable investments.



### Does this financial product consider principal adverse impacts on sustainability factors?

- Yes  
 No

The Fund takes the mandatory PAI indicators into account for all its sustainable investments using a combination of qualitative and quantitative criteria, as explained above in response to the question “How have the indicators for adverse impacts on sustainability factors been taken into account?”

The Fund will make information available on how it has incorporated the PAIs into the Fund in its periodic reports to investors.



### What investment strategy does this financial product follow?

The Calvert Sustainable Developed Markets Equity Select Fund’s investment objective is to provide long-term capital appreciation, measured in US Dollar, primarily investing in equity securities (as listed below) of companies in developed markets that are either: (1) involved in economic activities that address global environmental or societal challenges that relate to areas such as environmental sustainability and resource efficiency, diversity, equity and inclusion, respect for human rights and valuing human capital in addition to demonstrating accountable governance and transparent operations; or (2) are leaders in managing financially material environmental or social risks and opportunities, such as carbon emission management and diversity, equity and inclusion.

The Fund will maintain a substantially lower carbon footprint (at least 50% less) than that of the underlying market benchmark (MSCI World Index) and taking into account the long term carbon reduction objectives of the Paris Agreement which may warrant a revision of the targeted range of reduction over time.

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

The Fund is actively managed by the Investment Adviser on an ongoing basis in accordance with its investment strategy. The investment process is subject to regular review, as part of a control and monitoring framework implemented by the Investment Adviser and the Management Company. The Investment Adviser's Compliance, Risk and Portfolio Surveillance teams collaborate with the investment team to conduct regular portfolio/performance reviews and systemic checks to ensure compliance with portfolio investment objectives, investment and client guidelines, taking into account changing market conditions, information and strategy developments.

**The investment strategy** guides investment decisions based on factors such as investment objectives and risk tolerance.

● ***What are the binding elements of the investment strategy used to select the investments to attain the sustainable investment objective?***

The Fund will aim to only make sustainable investments, alongside investments for hedging or liquidity purposes, as set out below.

All companies in the investment universe must firstly be deemed eligible for investment according to the Calvert Principles, which assess companies based on their management of material environmental, social and governance factors. Companies that are not adequately managing financially material environmental and social factors are deemed ineligible for investments. This assessment is performed using CRS and analyst decisions as described in response to the question above, "What sustainability indicators are used to measure the attainment of the sustainable investment objective of this financial product?". From the eligible universe, companies will be included in the portfolio only if they demonstrate leadership across environmental and/or social issues through their activities or behaviours.

After applying the Calvert Principles, the investment team uses a combined quantitative and qualitative process to select portfolio holdings that demonstrate ESG leadership or improvement. This process results in a portfolio of the top 20-40% of companies based on ESG factors as compared to the starting universe.

From a quantitative approach, the Investment Adviser seeks to identify companies that are Leaders in their peer group on environmental or social factors (which are assessed on a materiality basis) based on the Investment Adviser's proprietary ESG scores. The proprietary ESG scores are determined using a combination of third party and customized ESG data as a base, according to the ESG themes listed in response to the question, "What sustainability indicators are used to measure the attainment of the sustainable investment objective of this financial product?".

After this quantitative assessment, companies identified also undergo a qualitative review to verify their leadership status. This review may result in issuers being removed or added to the investment portfolio. Issuers can only be added if there is a demonstration of leadership or significant improvement in the management of environmental or social issues. Leadership is typically defined on a quantitative basis as issuers that are in the top third of their peer group according to the Investment Adviser's proprietary ESG scores.

All companies included in the portfolio must demonstrate leadership or significant improvement in a key ESG issue that drives positive impact through company operations and/or products or services. Operational leadership can be related to environmental sustainability (e.g., resource efficient, energy efficient, reducing other harmful environmental externalities) or social sustainability (e.g., effective supply chain management and stakeholder relationships and, strong human capital management, and diverse and inclusive cultures). Calvert believes that leadership in managing these operational impacts will create a healthier financial condition, enhanced competitive advantage, reduced legal / regulatory risks or strengthen company

reputation and brand value. Leadership and improvement may also be expressed through a product strategy that includes products or services that address environmental or societal challenges, such as products that drive resource efficiencies or reduce pollution, or products that improve access to finance or basic services to underserved communities.

The Fund will also be managed on an ongoing basis to ensure that it has (i) a substantially lower carbon footprint (at least 50% less); and (ii) higher board diversity profile, than the MSCI World Index.

The Investment Advisor shall not knowingly include companies in the fund which are:

- involved with severe ESG controversies without material remediation and improvement;
- manufacturing or production of controversial weapons and civilian firearms;
- manufacturing or production of tobacco; and
- gambling.

Further, the Investment Advisor monitors business practices on an ongoing basis, through data on ESG controversies and standards screening sourced from third party providers. The Investment Advisor 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 where the Investment Adviser determines that there has been material remediation and improvement.

**Good governance** practices include sound management structures, employee relations, remuneration of staff and tax compliance.

● **What is the policy to assess good governance practices of the investee companies?**

Within the Calvert Research System, the Calvert Governance Score is a common element across all peer group models. It is designed to capture the relationship between corporate governance and financial performance and to reduce country bias in company-level governance scoring.

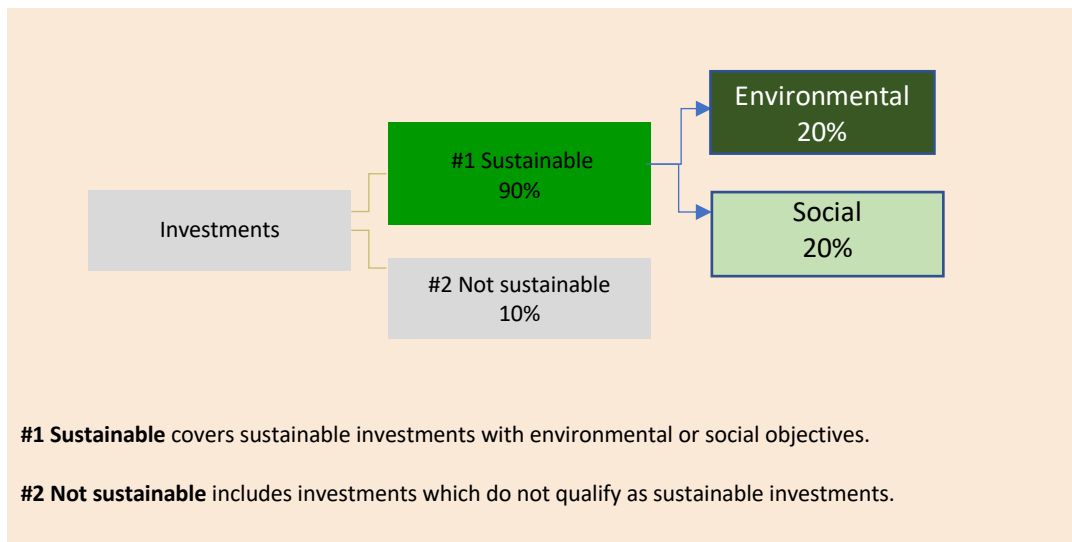
The score breaks issuers into four country clusters based on written rules and market practices in those countries.

The score then applies 10 custom composite KPIs weighted by financial materiality within each country context. The KPIs assess the issuer’s corporate governance and business practices, including but not limited to evidence of sound management structures and employee relations, fair remuneration of staff, and tax compliance, in order to ensure that every investee company follows good governance practices.



**What is the asset allocation and the minimum share of sustainable investments?**

**Asset allocation** describes the share of investments in specific assets.



The Calvert Principles and the selection process of leaders across environmental or social issues (as described above in response to the question, “*What are the binding elements of the investment strategy used to select the investments to attain the sustainable investment objective?*”) will be applied to 90% of the investments within the portfolio and the Fund will only make sustainable investments (alongside investments held for ancillary liquidity and hedging instruments).

The carbon tilt and diversity tilt are both applied at a portfolio level (and not at the level of individual holdings, meaning that individual holdings may have a higher weighted average carbon intensity and lower weighted average number of women at the board level than the portfolio level average or target).

As a result of this process approximately 90% of portfolio holdings of the Fund are expected to consist of sustainable investments. Among these, the Fund commits to make a minimum of 20% of sustainable investments with an environmental objective and 20% of sustainable investments with a social objective which can both vary independently at any time.

The remaining approximately 10% is expected to consist of investments held for ancillary liquidity and hedging instruments.

These percentages are measured according to the portfolio weight, which is based on the market value of the investments.

- ***How does the use of derivatives attain the sustainable investment objective?***

Not applicable – the Fund does not use any derivatives to attain its sustainable investment objective.



Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.

## To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

Not applicable – the Investment Adviser does not take account of the EU Taxonomy in its management of the Fund and as such the Fund’s sustainable investments do not take into account the criteria for environmentally sustainable economic activities under the EU Taxonomy.

● ***Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy<sup>1</sup>?***

- Yes:
- In fossil gas     In nuclear energy
- No

<sup>1</sup> Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change (“climate change mitigation”) and do not significantly harm any EU Taxonomy objective – see explanatory note in the left-hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

To comply with EU Taxonomy, the criteria for **fossil gas** include limitations on emission and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

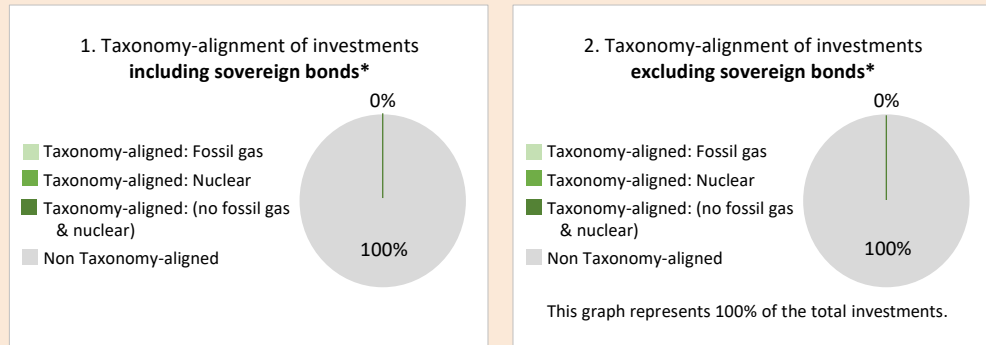
**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

**Transitional activities** are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.



are sustainable investments with an environmental objective that **do not take into account** the criteria for environment-ally sustainable economic activities under the EU Taxonomy.

*The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.*



\* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures.

● **What is the minimum share of investments in transitional and enabling activities?**

Not applicable – Although the Fund commits to invest in sustainable investments within the meaning of the SFDR, there is no commitment to a minimum share of investments in transitional and enabling activities.

**What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?**

90% of the Fund’s assets are expected to comprise sustainable investments that do not take into account the criteria for environmentally sustainable economic activities under the EU Taxonomy.

As explained above, the Fund commits to a minimum of 20% of sustainable investments with an environmental objective.

Although some of these sustainable investments may be Taxonomy aligned, due to lack of available data regarding the Taxonomy alignment of the underlying securities, the Investment Adviser has not been able to confirm whether these investments are in fact Taxonomy aligned and accordingly will not consider them as such in calculations until this data is reported on or otherwise becomes more reliable. The Investment Adviser uses its own methodology to determine whether certain investments are sustainable in accordance with the SFDR sustainable investment test, and then partly invests the Fund in such assets.



### What is the minimum share of sustainable investments with a social objective?

As explained above, the Fund commits to at least 20% of sustainable investments with a social objective.



### What investments are included under “#2 Not sustainable”, what is their purpose and are there any minimum environmental or social safeguards?

The “#2 Not sustainable” investments held in the Fund comprise of cash held as ancillary liquidity and hedging instruments. The investments in cash are not subject to any minimum environmental and social safeguards.



### Is a specific index designated as a reference benchmark to meet the sustainable investment objective?

Not applicable

**Reference benchmarks** are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.



### Where can I find more product specific information online?

More product-specific information can be found on the website:

[https://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite\\_msinvf\\_calvertsustainabledevelopedmarketsequityselect\\_en.pdf](https://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite_msinvf_calvertsustainabledevelopedmarketsequityselect_en.pdf)



**Template pre-contractual disclosure for the financial products referred to in Article 9, paragraphs 1 to 4a, of Regulation (EU) 2019/2088 and Article 5, first paragraph, of Regulation (EU) 2020/852**

**Product name:**

**Legal entity identifier:**

Calvert Sustainable Diversity, Equity and Inclusion Fund

549300LM8EX1C25T5840

## Sustainable investment objective

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not include a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

**Does this financial product have a sustainable investment objective?**

<p><input checked="" type="radio"/> <input checked="" type="radio"/> <b>✗ Yes</b></p> <p><input type="checkbox"/> It will make a minimum of <b>sustainable investments with an environmental objective: ___%</b></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> </ul> <p><input checked="" type="checkbox"/> It will make a minimum of <b>sustainable investments with a social objective: 90%</b></p>	<p><input checked="" type="radio"/> <input type="radio"/> <input type="checkbox"/> <b>No</b></p> <p><input type="checkbox"/> It <b>promotes Environmental/Social (E/S) characteristics</b> and while it does not have as its objective a sustainable investment, it will have a minimum proportion of ___% of sustainable investments</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> with a social objective</li> </ul> <p><input type="checkbox"/> It promotes E/S characteristics, but <b>will not make any sustainable investments</b></p>
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**Sustainability indicators** measure how the sustainable objectives of this financial product are attained.

## What is the sustainable investment objective of this financial product?

The Calvert Sustainable Diversity, Equity and Inclusion Fund's sustainable investment objective is to invest in companies that demonstrate leadership or meaningful improvement in having a diverse workforce and an equal and inclusive work culture.

In addition to this primary objective, the Fund will ensure that its investee companies maintain higher levels of board gender and ethnic diversity considered at the portfolio level as compared to the MSCI World Index.

The Fund has not designated a reference benchmark for the purpose of attaining its sustainable investment objective.

### ● **What sustainability indicators are used to measure the attainment of the sustainable investment objective of this financial product?**

#### **Calvert Principles**

All investments in the Fund will be evaluated under the Calvert Principles for Responsible Investment (the "Calvert Principles"). The Calvert Principles assess investee company activities and behaviours across a number of ESG themes (which are considered on a financial materiality basis) to determine their eligibility for Calvert funds. Portfolio managers then construct a portfolio of eligible issuers that meet their investment objective.

To conduct this analysis, Calvert developed the proprietary Calvert Research System ("CRS") that leverages indicators sourced from third party data vendors, external research partners, and Calvert's own proprietary custom indicators to support measurement and ranking of company performance on different ESG themes. An expert team of ESG sector analysts assess companies across the investable universe creating peer groups with similar ESG issues. Each peer group is evaluated and a thesis is developed to determine the themes which are most financially material to the group. A specific set of themes and underlying relevant indicators deemed to be financially material to the company's specific peer group are scored, assigned and weighted. Additionally, our team of analysts review circumstantial information (current and ongoing issues) from data vendors and news sources to determine if the company may have issues detrimental to its performance. The circumstantial review is applied as a discount to a company's overall score in the CRS system. The analyst then reviews the information from CRS to determine if the company meets the Calvert Principles. Such determinations are then presented to and approved by Calvert's Research Review Committee. The following themes are considered in CRS, as applicable, depending on a company's peer group and the financial materiality of each theme to that peer group:

- Environmental themes:
  - Biodiversity & Land
  - Climate & Energy
  - Overall Management of Environmental Risks
  - Packaging and Electronic Waste
  - Pollution and Waste
  - Environmental Impacts of the Supply Chain
  - Water
- Social themes:
  - Employee Health and Safety
  - Valuing Human Capital & Labour Management
  - Privacy & Data Security
  - Product Integrity

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

- Stakeholder Relations
- Social Impacts of the Supply Chain

The themes listed above are each supported by several sub-themes that feed into the over 200 peer group models housed within CRS. In total, over 700 underlying vendor data points feed into these environmental and social thematic indicators.

#### **Evidence of DEI Leadership or Improvement**

A quantitative and qualitative research process is used to categorize companies as diversity leaders, improvers, neutral or laggards. Only companies categorized as diversity leaders or improvers (and eligible according to the Calvert Principles described above) are eligible for inclusion in the portfolio. Companies' leadership status is assessed by analysing a variety of underlying data points, as described in response to the question below, *"What are the binding elements of the investment strategy used to select the investments to attain the sustainable investment objective?"*

#### **Commitments to maintain higher levels of diversity than the MSCI World Index**

At the portfolio level, the Fund will maintain:

- higher levels of board gender diversity in the portfolio than the MSCI World Index. The sustainability indicator for this commitment of the Fund is the average number of women at investee company board level.
- higher levels of ethnic diversity at the investee board level. The sustainability indicator for this commitment of the Fund is the average number of board members representing underrepresented ethnicities compared to the MSCI World Index.

#### ● ***How do sustainable investments not cause significant harm to any environmental or social sustainable investment objective?***

The Fund seeks to ensure that the sustainable investments of the Fund do not cause significant harm to relevant environmental or social sustainable investment objectives by:

- applying the Calvert Principles to determine an eligible investment universe that limits exposure to companies performing poorly on ESG matters;
- testing whether the investment meets the thresholds set by the Investment Adviser for each of the mandatory principal adverse impact ("PAI") indicators (see the response to the question, "How have the indicators for adverse impacts on sustainability factors been taken into account?" below for the details of this process); and
- ensuring that the sustainable investments of the Fund are aligned with the OECD Guidelines for Multinational Enterprises and the UN Principles on Business and Human Rights (see the response to the question, "How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights?" below for the details of this process).

Additionally, the investment management team reviews the portfolio holdings to determine if the company is involved in issues that would fall into a category of significant harm that is not captured by the above process.

#### – ***How have the indicators for adverse impacts on sustainability factors been taken into account?***

The Fund firstly accounts for adverse impacts on sustainability factors through the application of Calvert's existing policies and the Calvert Principles which, as noted previously, consider the financially material negative impacts of investee companies on the environment, society, and human rights (among other ESG issues) through their activities or behaviour.

The Investment Adviser additionally tests all investments against the PAI indicators (listed below) which are mandatory for the Investment Adviser to consider under the EU Sustainable Finance Disclosure Regulation (“**SFDR**”) rules and which are relevant to the investment. The Investment Adviser does this using a combination of quantitative and qualitative tests, using available third party and proprietary data for each PAI indicator.

PAI indicators:

**Investee companies**

1. GHG emissions
2. Carbon Footprint
3. GHG intensity of investee companies
4. Exposure to companies active in the fossil sector
5. Share of non-renewable energy consumption and production
6. Energy consumption intensity per high impact climate sector
7. Activities negatively affecting biodiversity sensitive areas
8. Emissions to water
9. Hazardous waste ratio
10. Violations of UN Global Compact and OECD
11. Lack of processes and compliance mechanisms to monitor compliance with the UNGC and OECD
12. Unadjusted gender pay gap
13. Board gender diversity
14. Exposure to controversial weapons

The Investment Adviser seeks data that is most closely aligned with each individual PAI. In some cases third party data is limited and if issuers are not covered by a vendor for a particular PAI the Investment Adviser will supplement with best available proxy indicators.

The Investment Adviser applies the following types of tests on the PAIs in order to determine if the investment is causing significant harm:

1. With respect to PAI indicators for which the Investment Adviser considers sufficient and reliable quantitative data is available across the investment universe, the Investment Adviser determines whether the adverse impact associated with the issuer’s activities is significant based on the issuer’s relative ranking to the overall investment universe and/or peer group.
2. For PAIs where data availability or quality is too limited to enable a quantitative analysis (e.g., activities negatively affecting biodiversity-sensitive areas) the Investment Adviser assesses significant harm on a qualitative basis using a combination of its own internal research and other available data.

In cases where PAI data suggests an investment may be causing significant harm, the Investment Adviser conducts additional desktop research to better understand and assess negative impacts indicated by third party or proprietary data. If the Investment Adviser concludes that the issuer is not causing significant harm based on its analysis, it may proceed with the investment and the rationale for that decision will then be documented. The Investment Adviser may conclude an issuer is not causing significant harm if:

- (i) the issuer has taken demonstrated steps and actions to address the potential significant harm such as through the adoption of timebound targets and goals or dedicated remediation activities and there are clear meaningful signs of improvement and positive change;
- (ii) the issuer has been identified by news sources and data vendors as potentially being involved in a controversy, but the issue is unresolved and the role of the issuer in causing harm is unclear, in these cases the Investment Adviser monitors the case on an ongoing basis to clarify its assessment as more information become available
- (iii) the underlying third party datapoint is subjective in nature (e.g., there is no definitive list provided by the UNGC setting out which companies violate their guidelines, meaning that what constitutes a violation of UNGC guidelines and what constitutes lack of processes to prevent UNGC violations are determinations that each vendor needs to

make individually) and the Investment Adviser's own research provides an alternative viewpoint;

- (iv) the Investment Adviser has reason to believe that third party data is inaccurate (e.g., based on estimates or flawed data assumptions) and the Investment Adviser's own research demonstrates that the issuer is not causing significant harm; or
- (v) the Investment Adviser has taken action to engage with the underlying issuer on the specific areas of potential harm to ensure adequate remedial steps are taken.

The Investment Adviser will keep such investments under review.

In cases where the Investment Adviser determines that an issuer is causing significant harm according to the PAI, it will be removed from the portfolio.

The Investment Adviser may use reasonable proxy indicators sourced from third parties to address the current lack of data for certain PAI indicators. The Investment Adviser's use of proxy indicators will be kept under review and will be replaced by PAI data from third-party data providers, when the Investment Adviser determines that sufficiently reliable data has become available.

– *How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights?*

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 make assessments on controversy cases that it views as being severe based on information from 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.

Through the application of the Calvert Principles by the Investment Adviser as appropriate for the Fund, the Fund incorporates consideration of the themes and values set out in the OECD Guidelines for Multi-National Enterprises and the UN Guiding Principles.

In particular, the Calvert Principles consider whether issuers:

- demonstrate poor management of environmental risks or contribute significantly to local or global environmental problems;
- demonstrate a pattern of employing forced, compulsory or child labor;
- exhibit a pattern and practice directly or through the company's supply chain of human rights violations or are complicit in human rights violations committed by governments or security forces, including those that are under U.S. or international sanction for human rights abuses; or
- exhibit a pattern and practice of violating the rights and protections of Indigenous Peoples.

The portfolio is expected to have no or limited exposure to such issuers – unless the Investment Adviser considers that the issuer is taking appropriate remedial steps or is overall exhibiting a strong performance across the themes set out above.

In addition, investments are screened using third party data regarding the issuer's compliance with the UN Guiding Principles on Business and Human Rights. Where the application of this screen reveals potential non-compliance, the Investment Adviser conducts additional desktop research to verify the issuer's non-compliance. Should the Investment Adviser determine that the issuer is appropriate for inclusion in the Fund notwithstanding the results of the third party screen (for example because of historical instances of non-compliance which have since been remediated in the Investment Adviser's view), the Investment Adviser will document its rationale for inclusion.



## Does this financial product consider principal adverse impacts on sustainability factors?

- Yes  
 No

The Fund takes the mandatory PAI indicators into account for all its sustainable investments using a combination of qualitative and quantitative criteria, as explained above in response to the question, “How have the indicators for adverse impacts on sustainability factors been taken into account?”.

The Fund will make information available on how it has incorporated the PAIs into the Fund in its periodic reports to investors.



**The investment strategy** guides investment decisions based on factors such as investment objectives and risk tolerance.

## What investment strategy does this financial product follow?

The Fund utilizes a quantitative and qualitative ESG research process that applies the Calvert Principles for Responsible Investment to define the investment universe while making sure that such companies do not significantly harm any environmental or social objective. The research process seeks to identify companies that exhibit leadership or improvement in diversity, equity and inclusion in the workforce. In addition to the ESG considerations described in this document on a binding basis, the Investment Adviser may engage company management on a non-binding basis around financially material ESG issues, including diversity and inclusion, that it deems will have a positive impact on society and the environment.

The Fund is actively managed by the Investment Adviser on an ongoing basis in accordance with its investment strategy. The investment process is subject to regular review, as part of a control and monitoring framework implemented by the Investment Adviser and the Management Company. The Investment Adviser’s Compliance, Risk and Portfolio Surveillance teams collaborate with the investment team to conduct regular portfolio/performance reviews and systemic checks to ensure compliance with portfolio investment objectives, investment and client guidelines, taking into account changing market conditions, information and strategy developments.

### ● **What are the binding elements of the investment strategy used to select the investments to attain the sustainable investment objective?**

The Fund will aim to only make sustainable investments alongside investments for liquidity or hedging purposes, as set out below.

#### **Calvert Principles**

All companies in the investment universe must firstly be deemed eligible for investment according to the Calvert Principles, which assess companies based on their management of material environmental, social and governance factors. Companies that are not adequately managing financially material environmental, social and governance factors are deemed ineligible for investments. This assessment is performed using CRS and analyst decisions as described in response to the question above, “What sustainability indicators are used to measure the attainment of the sustainable investment objective of this financial product?”.

#### **Evidence of DEI Leadership or DEI Improvement**

In addition to the Calvert Principles, portfolio eligibility is determined by a proprietary diversity rating through which companies are categorized as diversity leaders, diversity improvers, diversity neutral or diversity laggards. Companies must be diversity leaders or diversity improvers to be considered for inclusion in the Fund.

The rating assessment is primarily driven by a quantitative process with some qualitative overlays. The Calvert Index Committee supervises the DEI research and the final DEI categorization and rating of each company. The Calvert Index Committee considers the company against the features listed below, which are typical of the categories of companies, in order to determine the final categorization of each company.

Typical features of diversity leaders:

- Leadership in having a diverse workforce. A company which exhibits leadership in having a gender-balanced workforce among its board members, executives, senior management, middle management, and employees. With respect to a company deemed by Calvert to be based in the United States, the United Kingdom, Australia, Canada, and South Africa, a company must also demonstrate leadership in ethnic diversity among its board members relative to such country's demographic. In addition, a company's leadership in other aspects of diversity among board members, specifically age, cultural background, and skill sets, is also considered.
- Equal and inclusive culture: A company which has policies and procedures that adequately support equal opportunity in the hiring process, equal pay and fair promotion among all diversity groups. Also, a company that promotes diversity, equality and inclusion with policies and programs that focus on living wages, health and safety, career development, parental leave, flexible work locations and schedules, childcare availability, and inclusion of people with disabilities, people who are HIV positive, as well as people who self-identify as LGBTQ+, is also considered.

Typical features of diversity improvers:

- increasing board gender diversity over the past three years;
- increasing board racial diversity over the past three years;
- demonstrated progress after a significant DEI related controversy;
- shareholder resolutions that signal potential DEI related improvements over the past three years; or
- is an active Calvert engagement target on DEI issues.

Typical features of diversity laggards or diversity neutral companies:

- display lack of diversity among their board members, specifically not gender balanced or not ethnically diverse;
- show significant risks associated with human capital practices (e.g., anti-union practices, discriminatory practices etc.); or
- have experienced severe controversies related to diversity and inclusion issues.

**Commitments to maintain higher levels of diversity than the MSCI World Index**

At the portfolio level, the Fund will maintain:

- higher levels of board gender diversity in the portfolio than the MSCI World Index.
- higher levels of ethnic diversity at the board level in the portfolio than the MSCI World Index.

**Exclusions**

The Investment Advisor shall not knowingly include companies in the fund which are:

- involved with severe ESG controversies without material remediation and improvement;
- manufacturing or production of controversial weapons and civilian firearms;
- manufacturing or production of tobacco; and
- gambling.

Further, 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 where the Investment Adviser determines that there has been material remediation and improvement.

Calvert Research and Management (CRM) shall engage directly with companies' management, through written and non-written communication, to raise ESG concerns and identify ESG opportunities based on company performance and activities.

**Good governance** practices include sound management structures, employee relations, remuneration of staff and tax compliance.

● **What is the policy to assess good governance practices of the investee companies?**

Within the Calvert Research System, the Calvert Governance Score is a common element across all peer group models. It is designed to capture the relationship between corporate governance and financial performance and to reduce country bias in company-level governance scoring.

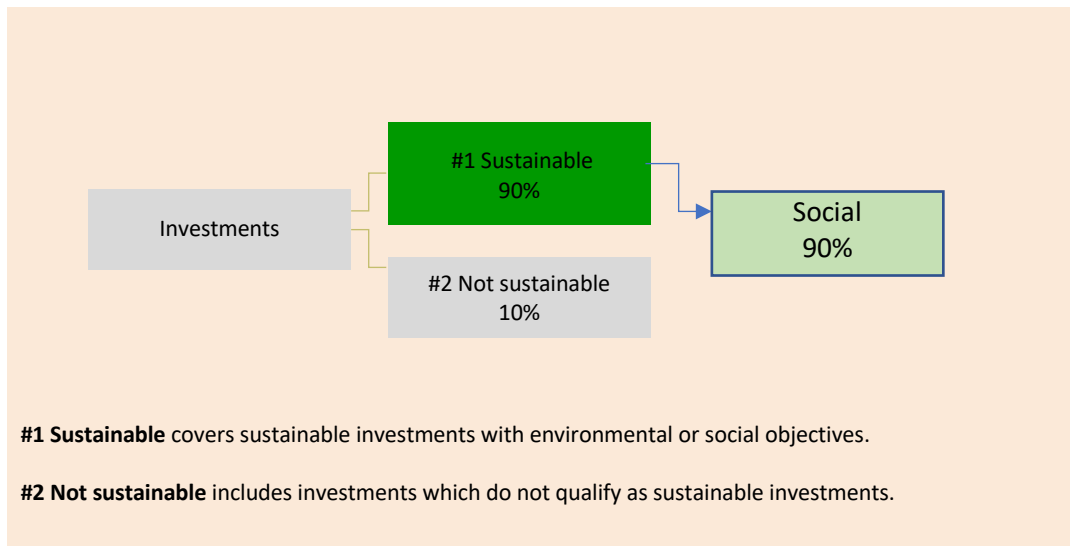
The score breaks issuers into four country clusters based on written rules and market practices in those countries.

The score then applies 10 custom composite KPIs weighted by financial materiality within each country context. The KPIs assess the issuer's corporate governance and business practices, including but not limited to evidence of sound management structures and employee relations, fair remuneration of staff, and tax compliance, in order to ensure that every investee company follows good governance practices.



**What is the asset allocation and the minimum share of sustainable investments?**

**Asset allocation** describes the share of investments in specific assets.





The Calvert Principles, DEI Leadership or Improvement criteria and exclusionary criteria (as described above in response to the question, “*What are the binding elements of the investment strategy used to select the investments to attain the sustainable investment objective?*”) will be applied to 90% of the investments within the portfolio and the Fund will only aim to make sustainable investments with social objectives (alongside investments for hedging or liquidity purposes).

The diversity commitments to be better than the MSCI World Index are applied at a portfolio level (and not at the level of individual holdings, meaning that individual holdings may have a lower weighted average number of women or underrepresented ethnicities at the board level than the portfolio level average or target).

As a result, 90% of the Fund is expected to consist of sustainable investments, and the remaining 10% is expected to consist of investments held for ancillary liquidity and hedging instruments.

These percentages are measured according to the portfolio weight, which is based on market value of the investments.

● ***How does the use of derivatives attain the sustainable investment objective?***

Not applicable – the Fund does not use any derivatives to attain its sustainable investment objective.



Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.

**To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?**

Not applicable - the Investment Adviser does not take account of the EU Taxonomy in its management of the Fund and as such the Fund’s sustainable investments do not take into account the criteria for environmentally sustainable economic activities under the EU Taxonomy.

● ***Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy<sup>1</sup>?***

Yes:

In fossil gas     In nuclear energy

No

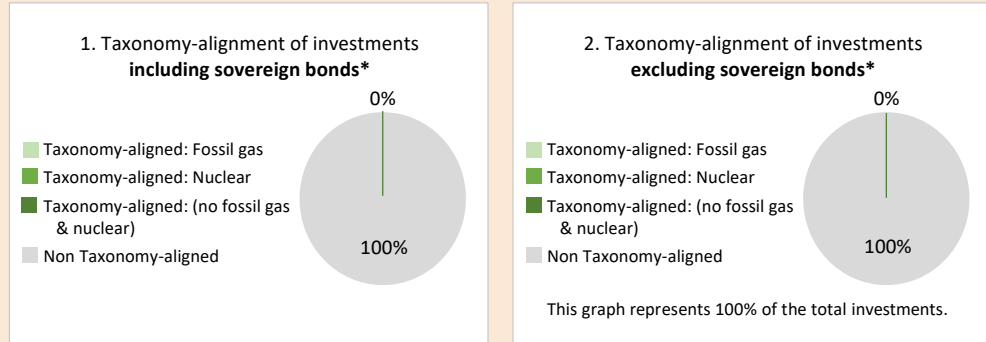
<sup>1</sup> Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change (“climate change mitigation”) and do not significantly harm any EU Taxonomy objective – see explanatory note in the left-hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

To comply with EU Taxonomy, the criteria for **fossil gas** include limitations on emission and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

**Transitional activities** are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

*The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.*



\* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures.

● **What is the minimum share of investments in transitional and enabling activities?**

Not applicable - Although the Fund commits to invest in sustainable investments within the meaning of the SFDR, there is no commitment to a minimum share of investments in transitional and enabling activities.



**What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?**

Not applicable.



are sustainable investments with an environmental objective that **do not take into account** the criteria for environment-ally sustainable economic activities under the EU Taxonomy.



### What is the minimum share of sustainable investments with a social objective?

As explained above, the Fund commits to at least 90% of sustainable investments with a social objective.



### What investments are included under “#2 Not sustainable”, what is their purpose and are there any minimum environmental or social safeguards?

The “#2 Not sustainable” investments held in the Fund comprise of cash held as ancillary liquidity and hedging instruments. The investments in cash are not subject to any minimum environmental and social safeguards.



### Is a specific index designated as a reference benchmark to meet the sustainable investment objective?

Not applicable

**Reference benchmarks** are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.



### Where can I find more product specific information online?

More product-specific information can be found on the website:

[https://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite\\_msinvf\\_calvertsustainablediversityequityinclusion\\_en.pdf](https://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite_msinvf_calvertsustainablediversityequityinclusion_en.pdf)

Template pre-contractual disclosure for the financial products referred to in Article 9, paragraphs 1 to 4a, of Regulation (EU) 2019/2088 and Article 5, first paragraph, of Regulation (EU) 2020/852

Product name:

Legal entity identifier:

Calvert Sustainable Emerging Markets Equity Select Fund

549300VQZN51VK03CV16

## Sustainable investment objective

Does this financial product have a sustainable investment objective?

**X** Yes

No

It will make a minimum of **sustainable investments with an environmental objective**: 20%

in economic activities that qualify as environmentally sustainable under the EU Taxonomy

in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

It will make a minimum of **sustainable investments with a social objective**: 20%

It **promotes Environmental/Social (E/S) characteristics** and while it does not have as its objective a sustainable investment, it will have a minimum proportion of \_\_\_% of sustainable investments

with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy

with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

with a social objective

It promotes E/S characteristics, but **will not make any sustainable investments**

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not include a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.



**Sustainability indicators** measure how the sustainable objectives of this financial product are attained.

## What is the sustainable investment objective of this financial product?

The Calvert Sustainable Emerging Markets Equity Select Fund's sustainable investment objective is to invest in companies that are either (i) involved in economic activities that address global environmental or societal challenges in areas such as environmental sustainability, diversity, equity and inclusion, respect for human rights and valuing human capital, in addition to demonstrating accountable governance and transparent operations or (ii) are leaders in managing environmental or social risks and opportunities, and in each case that are determined to be sustainable investments by the Investment Adviser.

In addition to this primary objective, the Fund will maintain a carbon profile lower than the MSCI Emerging Markets Index and maintain higher levels of board gender diversity at the portfolio level than the MSCI Emerging Markets Index.

The Fund has not designated a reference benchmark for the purpose of attaining its sustainable investment objective.

### ● ***What sustainability indicators are used to measure the attainment of the sustainable investment objective of this financial product?***

All investments in the Fund will be evaluated under the Calvert Principles for Responsible Investment (the "Calvert Principles"). The Calvert Principles assess investee company activities and behaviours across a number of ESG themes (which are considered on a financial materiality basis) to determine their eligibility for Calvert funds. Portfolio managers then construct a portfolio of eligible issuers that meet their investment objective.

To conduct this analysis, Calvert developed the proprietary Calvert Research System ("CRS") that leverages indicators sourced from third party data vendors, external research partners, and Calvert's own proprietary custom indicators to support measurement and ranking of company performance on different ESG themes. An expert team of ESG sector analysts assess companies across the investable universe creating peer groups with similar ESG issues. Each peer group is evaluated and a thesis is developed to determine the themes which are most financially material to the group. A specific set of themes and underlying relevant indicators deemed to be financially material to the company's specific peer group are scored, assigned and weighted. Additionally, our team of analysts review circumstantial information (current and ongoing issues) from data vendors and news sources to determine if the company may have issues detrimental to its performance. The circumstantial review is applied as a discount to a company's overall score in the CRS system. The analyst then reviews the information from CRS to determine if the company meets the Calvert Principles. Such determinations are then presented to and approved by Calvert's Research Review Committee. The following themes are considered in CRS, as applicable, depending on a company's peer group and the financial materiality of each theme to that peer group:

- Environmental themes:
  - Biodiversity & Land
  - Climate & Energy
  - Overall Management of Environmental Risks
  - Packaging and Electronic Waste
  - Pollution and Waste
  - Environmental Impacts of the Supply Chain
  - Water

- Social themes:
  - Employee Health and Safety
  - Valuing Human Capital & Labour Management
  - Privacy & Data Security
  - Product Integrity
  - Stakeholder Relations
  - Social Impacts of the Supply Chain

The themes listed above are each supported by several sub-themes that feed into the over 200 peer group models housed within CRS. In total, over 700 underlying vendor data points feed into these environmental and social thematic indicators.

In instances where ESG data is very limited and cannot be assessed through CRS, companies may undergo a qualitative assessment to determine if the company meets the Calvert Principles. Emerging market companies that have limited data may also be assessed through a proprietary Emerging Market model to determine if the Company is aligned to the Calvert Principles.

After issuers have been rated based on CRS indicators and other third party vendor data, the scores for environmental, social, governance and total scores are then normalised across peer groups and used to rank issuers to identify companies that are potentially leaders on environmental and/or social issues.

The Fund's additional carbon and diversity objectives are measured as follows:

- Carbon reduction is measured by weighted average carbon intensity, defined as tonnes of GHG per \$1million revenue. The Fund will maintain a substantially lower carbon footprint than the benchmark, i.e. a carbon footprint that is at least 50% less than the carbon footprint of the MSCI Emerging Markets Index. Carbon emissions is measured by Scope 1 and 2 emissions. The Fund does not consider Scope 3 emissions for this purpose.
- Diversity is measured by weighted average number of women at the board level. The Fund will maintain higher levels of board diversity at the portfolio level than to the MSCI Emerging Markets Index.

● ***How do sustainable investments not cause significant harm to any environmental or social sustainable investment objective?***

The Fund seeks to ensure that the sustainable investments of the Fund do not cause significant harm to relevant environmental or social sustainable investment objectives by:

- applying the Calvert Principles to determine an eligible investment universe that limits exposure to companies performing poorly on ESG matters;
- testing whether the investment meets the thresholds set by the Investment Adviser for each of the mandatory principal adverse impact ("PAI") indicators (see the response to the question, "How have the indicators for adverse impacts on sustainability factors been taken into account?" below for the details of this process); and
- ensuring that the sustainable investments of the Fund are aligned with the OECD Guidelines for Multinational Enterprises and the UN Principles on Business and Human Rights (see the response to the question, "How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights?" below for the details of this process).

Additionally, the investment management team reviews the portfolio holdings to determine if the company is involved in issues that would fall into a category of significant harm that is not captured by the above process.

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

– *How have the indicators for adverse impacts on sustainability factors been taken into account?*

The Fund firstly accounts for adverse impacts on sustainability factors through the application of Calvert’s existing policies and the Calvert Principles which, as noted previously, consider the financially material negative impacts of investee companies on the environment, society, and human rights (among other ESG issues) through their activities or behaviour.

The Investment Adviser additionally tests all investments against the PAI indicators (listed below) which are mandatory for the Investment Adviser to consider under the EU Sustainable Finance Disclosure Regulation (“SFDR”) rules and which are relevant to the investment. The Investment Adviser does this using a combination of quantitative and qualitative tests, using available third party and proprietary data for each PAI indicator.

PAI indicators:

**Investee companies**

1. GHG emissions
2. Carbon Footprint
3. GHG intensity of investee companies
4. Exposure to companies active in the fossil sector
5. Share of non-renewable energy consumption and production
6. Energy consumption intensity per high impact climate sector
7. Activities negatively affecting biodiversity sensitive areas
8. Emissions to water
9. Hazardous waste ratio
10. Violations of UN Global Compact and OECD
11. Lack of processes and compliance mechanisms to monitor compliance with the UNGC and OECD
12. Unadjusted gender pay gap
13. Board gender diversity
14. Exposure to controversial weapons

The Investment Adviser seeks data that is most closely aligned with each individual PAI. In some cases third party data is limited and if issuers are not covered by a vendor for a particular PAI the Investment Adviser will supplement with best available proxy indicators.

The Investment Adviser applies the following types of tests on the PAIs in order to determine if the investment is causing significant harm:

1. With respect to PAI indicators for which the Investment Adviser considers sufficient and reliable quantitative data is available across the investment universe, the Investment Adviser determines whether the adverse impact associated with the issuer’s activities is significant based on the issuer’s relative ranking to the overall investment universe and/or peer group.
2. For PAIs where data availability or quality is too limited to enable a quantitative analysis (e.g., activities negatively affecting biodiversity-sensitive areas) the Investment Adviser assesses significant harm on a qualitative basis using a combination of its own internal research and other available data.

In cases where PAI data suggests an investment may be causing significant harm, the Investment Adviser conducts additional desktop research to better understand and assess negative impacts indicated by third party or proprietary data. If the Investment Adviser concludes that the issuer is not causing significant harm based on its analysis, it may proceed with the investment and the rationale for that decision will then be documented. The Investment Adviser may conclude an issuer is not causing significant harm if:

- (i) the issuer has taken demonstrated steps and actions to address the potential significant harm such as through the adoption of timebound targets and goals or

dedicated remediation activities and there are clear meaningful signs of improvement and positive change;

- (ii) the issuer has been identified by news sources and data vendors as potentially being involved in a controversy, but the issue is unresolved and the role of the issuer in causing harm is unclear, in these cases the investment adviser monitors the case on an ongoing basis to clarify its assessment as more information becomes available
- (iii) the underlying third party datapoint is subjective in nature (e.g., there is no definitive list provided by the UNGC setting out which companies violate their guidelines, meaning that what constitutes a violation of UNGC guidelines and what constitutes lack of processes to prevent UNGC violations are determinations that each vendor needs to make individually) and the Investment Adviser's own research provides an alternative viewpoint;
- (iv) the Investment Adviser has reason to believe that third party data is inaccurate (e.g., based on estimates or flawed data assumptions) and the Investment Adviser's own research demonstrates that the issuer is not causing significant harm; or
- (v) the Investment Adviser has taken action to engage with the underlying issuer on the specific areas of potential harm to ensure adequate remedial steps are taken.

The Investment Adviser will keep such investments under review.

In cases where the Investment Adviser determines that an issuer is causing significant harm according to the PAI, it will be removed from the portfolio.

The Investment Adviser may use reasonable proxy indicators sourced from third parties to address the current lack of data for certain PAI indicators. The Investment Adviser's use of proxy indicators will be kept under review and will be replaced by PAI data from third-party data providers, when the Investment Adviser determines that sufficiently reliable data has become available.

– *How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights?*

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 make assessments on controversy cases that it views as being severe based on information from 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.

Through the application of the Calvert Principles by the Investment Adviser as appropriate for the Fund, the Fund incorporates consideration of the themes and values set out in the OECD Guidelines for Multi-National Enterprises and the UN Guiding Principles.

In particular, the Calvert Principles consider whether issuers:

- demonstrate poor management of environmental risks or contribute significantly to local or global environmental problems;
- demonstrate a pattern of employing forced, compulsory or child labor;
- exhibit a pattern and practice directly or through the company's supply chain of human rights violations or are complicit in human rights violations committed by governments or security forces, including those that are under U.S. or international sanction for human rights abuses; or
- exhibit a pattern and practice of violating the rights and protections of Indigenous Peoples.

The portfolio is expected to have no or limited exposure to such issuers – unless the Investment Adviser considers that the issuer is taking appropriate remedial steps or is overall exhibiting a strong performance across the themes set out above.



In addition, investments are screened using third party data regarding the issuer's compliance with the UN Guiding Principles on Business and Human Rights. Where the application of this screen reveals potential non-compliance, the Investment Adviser conducts additional desktop research to verify the issuer's non-compliance. Should the Investment Adviser determine that the issuer is appropriate for inclusion in the Fund notwithstanding the results of the third party screen (for example because of historical instances of non-compliance which have since been remediated in the Investment Adviser's view), the Investment Adviser will document its rationale for inclusion.

*The EU Taxonomy sets out a "do not significant harm" principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.*

*The "do no significant harm" principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.*

*Any other sustainable investments must also not significantly harm any environmental or social objectives.*

Regulation requires that this document include these statements. However, for the avoidance of doubt, this Fund does not: (i) take into account the EU criteria for environmentally sustainable economic activities in the EU Taxonomy; or (ii) calculate its portfolio alignment with the EU Taxonomy. As such, the Fund is 0% aligned with the EU Taxonomy. The "do no significant harm" principle applies only to the portion of the Fund's investments that are sustainable investments.



### Does this financial product consider principal adverse impacts on sustainability factors?

- Yes  
 No

The Fund takes the mandatory PAI indicators into account for all its sustainable investments using a combination of qualitative and quantitative criteria, as explained above in response to the question "How have the indicators for adverse impacts on sustainability factors been taken into account?"

The Fund will make information available on how it has incorporated the PAIs into the Fund in its periodic reports to investors.



### What investment strategy does this financial product follow?

The Calvert Sustainable Emerging Markets Equity Select Fund's investment objective is to provide long-term capital appreciation, measured in US Dollars, primarily investing in equity securities (as listed below) of companies located in the world's emerging markets that are either: (1) involved in economic activities that address global environmental or societal challenges that relate to areas such as environmental sustainability and resource efficiency, diversity, equity and inclusion, respect for human rights and valuing human capital in addition to demonstrating accountable governance and transparent operations; or (2) are leaders in managing financially material environmental or social risks and opportunities, such as carbon emission management and diversity, equity and inclusion.

The Fund will maintain a substantially lower carbon footprint (at least 50% less) than that of the underlying market benchmark (MSCI Emerging Markets Index) and taking into account the long

**The investment strategy** guides investment decisions based on factors such as investment objectives and risk tolerance.

term carbon reduction objectives of the Paris Agreement which may warrant a revision of the targeted range of reduction over time.

The Fund will seek to achieve its investment objective by investing primarily in equity securities including depositary receipts (such as American Depositary Receipts (ADRs), Global Depositary Receipts (GDRs), and European Depositary Receipts (EDRs).

The Fund is actively managed by the Investment Adviser on an ongoing basis in accordance with its investment strategy. The investment process is subject to regular review, as part of a control and monitoring framework implemented by the Investment Adviser and the Management Company. The Investment Adviser's Compliance, Risk and Portfolio Surveillance teams collaborate with the investment team to conduct regular portfolio/performance reviews and systemic checks to ensure compliance with portfolio investment objectives, investment and client guidelines, taking into account changing market conditions, information and strategy developments.

● ***What are the binding elements of the investment strategy used to select the investments to attain the sustainable investment objective?***

The Fund will aim to only make sustainable investments, alongside investments for hedging or liquidity purposes, as set out below.

All companies in the investment universe must firstly be deemed eligible for investment according to the Calvert Principles, which assess companies based on their management of material environmental, social and governance factors. Companies that are not adequately managing financially material environmental and social factors are deemed ineligible for investments. This assessment is performed using CRS and analyst decisions as described in response to the question above, "What sustainability indicators are used to measure the attainment of the sustainable investment objective of this financial product?". From the eligible universe, companies will be included in the portfolio only if they demonstrate leadership across environmental and/or social issues through their activities or behaviours.

After applying the Calvert Principles, the investment team uses a combined quantitative and qualitative process to select portfolio holdings that demonstrate ESG leadership or improvement. This process results in a portfolio of the top 20-40% of companies based on ESG factors as compared to the starting universe.

From a quantitative approach, the Investment Adviser seeks to identify companies that are Leaders in their peer group on environmental or social factors (which are assessed on a materiality basis) based on the Investment Adviser's proprietary ESG scores and other third party vendor data. The proprietary ESG scores are determined using a combination of third party and customized ESG data as a base, according to the ESG themes listed in response to the question, "What sustainability indicators are used to measure the attainment of the sustainable investment objective of this financial product?". Leadership is typically defined on a quantitative basis as issuers that are in the top third of their peer group according to the Investment Adviser's proprietary ESG scores.

After this quantitative assessment, companies identified also undergo a qualitative review to verify their leadership status. This review may result in issuers being removed or added to the investment portfolio. Issuers can only be added if there is a demonstration of leadership or significant improvement in the management of environmental or social issues.

All companies included in the portfolio must demonstrate leadership or significant improvement in a key ESG issue that drives positive impact through company operations and/or products or services. Operational leadership can be related to environmental sustainability (e.g., resource efficient, energy efficient, reducing other harmful environmental externalities) or social sustainability (e.g., effective supply chain management and stakeholder relationships and, strong human capital management, and diverse and inclusive cultures). Calvert believes that leadership in managing these operational impacts will create a healthier financial condition, enhanced competitive advantage, reduced legal / regulatory risks or strengthen company reputation and brand value. Leadership and improvement may also be expressed through a product strategy that includes products or services that address environmental or societal

challenges, such as products that drive resource efficiencies or reduce pollution, or products that improve access to finance or basic services to underserved communities.

The Fund will also be managed on an ongoing basis to ensure that it has (i) a substantially lower carbon footprint (at least 50% less); and (ii) higher board diversity profile, than the MSCI Emerging Markets Index.

The Investment Advisor shall not knowingly include companies in the fund which are:

- involved with severe ESG controversies without material remediation and improvement;
- manufacturing or production of controversial weapons and civilian firearms;
- manufacturing or production of tobacco; and
- gambling.

Further, the Investment Advisor monitors business practices on an ongoing basis, through data on ESG controversies and standards screening sourced from third party providers. The Investment Advisor 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 where the Investment Advisor determines that there has been material remediation and improvement.

**Good governance** practices include sound management structures, employee relations, remuneration of staff and tax compliance.

● **What is the policy to assess good governance practices of the investee companies?**

Within the Calvert Research System, the Calvert Governance Score is a common element across all peer group models. It is designed to capture the relationship between corporate governance and financial performance and to reduce country bias in company-level governance scoring.

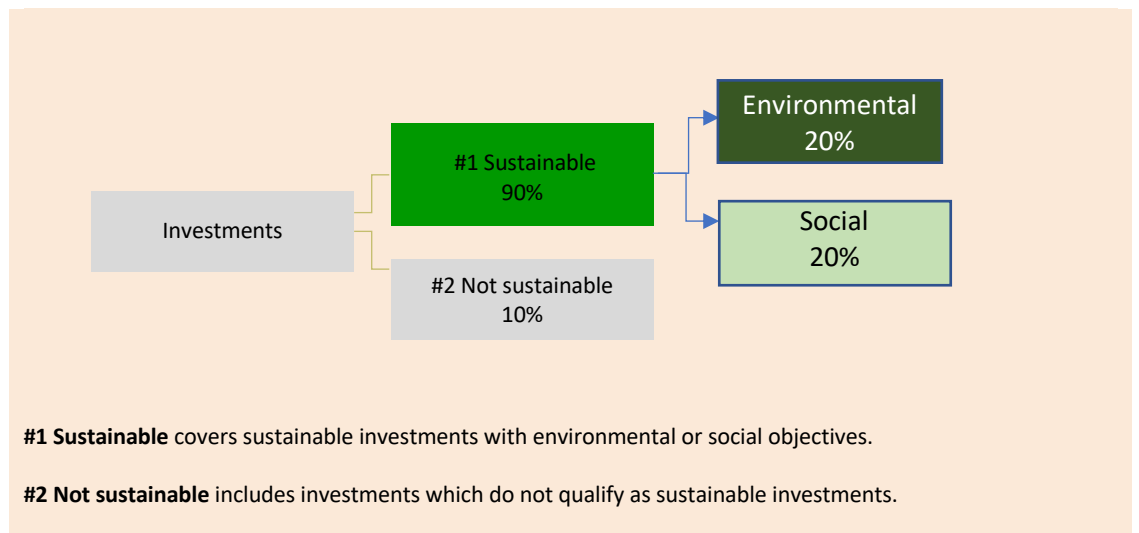
The score breaks issuers into four country clusters based on written rules and market practices in those countries.

The score then applies 10 custom composite KPIs weighted by financial materiality within each country context. The KPIs assess the issuer’s corporate governance and business practices, including but not limited to evidence of sound management structures and employee relations, fair remuneration of staff, and tax compliance, in order to ensure that every investee company follows good governance practices.



**What is the asset allocation and the minimum share of sustainable investments?**

**Asset allocation** describes the share of investments in specific assets.



The Calvert Principles and the selection process of leaders across environmental or social issues (as described above in response to the question, “*What are the binding elements of the investment strategy used to select the investments to attain the sustainable investment objective?*”) will be applied to 90% of the investments within the portfolio and the Fund will only make sustainable investments (alongside investments held for ancillary liquidity and hedging instruments).

The carbon tilt and diversity tilt are both applied at a portfolio level (and not at the level of individual holdings, meaning that individual holdings may have a higher weighted average carbon intensity and lower weighted average number of women at the board level than the portfolio level average or target).

As a result of this process approximately 90% of portfolio holdings of the Fund are expected to consist of sustainable investments. Among these, the Fund commits to make a minimum of 20% of sustainable investments with an environmental objective and 20% of sustainable investments with a social objective which can both vary independently at any time.

The remaining approximately 10% is expected to consist of investments held for ancillary liquidity and hedging instruments.

These percentages are measured according to the portfolio weight, which is based on the market value of the investments.

● ***How does the use of derivatives attain the sustainable investment objective?***

Not applicable – the Fund does not use any derivatives to attain its sustainable investment objective.



Taxonomy-aligned activities are expressed as a share of:

- **turnover**

reflecting the share of revenue from green activities of investee companies

- **capital expenditure**

(CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.

- **operational expenditure**

(OpEx) reflecting green operational activities of investee companies.

**To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?**

Not applicable – the Investment Adviser does not take account of the EU Taxonomy in its management of the Fund and as such the Fund’s sustainable investments do not take into account the criteria for environmentally sustainable economic activities under the EU Taxonomy.

● ***Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy<sup>1</sup>?***

Yes:

In fossil gas     In nuclear energy

No

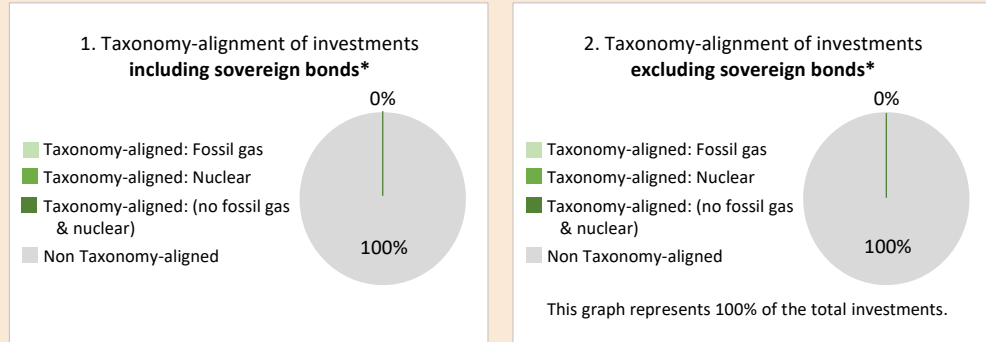
<sup>1</sup> Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change (“climate change mitigation”) and do not significantly harm any EU Taxonomy objective – see explanatory note in the left-hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

To comply with EU Taxonomy, the criteria for **fossil gas** include limitations on emission and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

**Transitional activities** are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

*The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.*



\* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures.

● **What is the minimum share of investments in transitional and enabling activities?**

Not applicable - Although the Fund commits to invest in sustainable investments within the meaning of the SFDR, there is no commitment to a minimum share of investments in transitional and enabling activities.



**What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?**

90% of the Fund's assets are expected to comprise sustainable investments that do not take into account the criteria for environmentally sustainable economic activities under the EU Taxonomy.

As explained above, the Fund commits to a minimum of 20% of sustainable investments with an environmental objective.

Although some of these sustainable investments may be Taxonomy aligned, due to lack of available data regarding the Taxonomy alignment of the underlying securities, the Investment Adviser has not been able to confirm whether these investments are in fact Taxonomy aligned and accordingly will not consider them as such in calculations until this data is reported on or otherwise becomes more reliable. The Investment Adviser uses its own methodology to determine whether certain investments are sustainable in accordance with the SFDR sustainable investment test, and then partly invests the Fund in such assets.



are sustainable investments with an environmental objective that **do not take into account** the criteria for environment-ally sustainable economic activities under the EU Taxonomy.



### What is the minimum share of sustainable investments with a social objective?

As explained above, the Fund commits to at least 20% of sustainable investments with a social objective.



### What investments are included under “#2 Not sustainable”, what is their purpose and are there any minimum environmental or social safeguards?

The “#2 Not sustainable” investments held in the Fund comprise of cash held as ancillary liquidity and hedging instruments. The investments in cash are not subject to any minimum environmental and social safeguards.



### Is a specific index designated as a reference benchmark to meet the sustainable investment objective?

Not applicable

**Reference benchmarks** are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.



### Where can I find more product specific information online?

More product-specific information can be found on the website:

[https://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite\\_msinvf\\_calvertsustainableemergingmarketsequityselect\\_en.pdf](https://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite_msinvf_calvertsustainableemergingmarketsequityselect_en.pdf)

Template pre-contractual disclosure for the financial products referred to in Article 9, paragraphs 1 to 4a, of Regulation (EU) 2019/2088 and Article 5, first paragraph, of Regulation (EU) 2020/852

**Product name:** Calvert Sustainable US Equity Select Fund  
**Legal entity identifier:** 549300LM3S8HT563GM12

## Sustainable investment objective

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not include a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

**Does this financial product have a sustainable investment objective?**

<input checked="" type="radio"/> <input checked="" type="radio"/> <input checked="" type="checkbox"/> <b>Yes</b>	<input type="radio"/> <input type="radio"/> <input type="checkbox"/> <b>No</b>
<p><input checked="" type="checkbox"/> It will make a minimum of <b>sustainable investments with an environmental objective: 20%</b></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input checked="" type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> </ul> <p><input checked="" type="checkbox"/> It will make a minimum of <b>sustainable investments with a social objective: 20%</b></p>	<p><input type="checkbox"/> It <b>promotes Environmental/Social (E/S) characteristics</b> and while it does not have as its objective a sustainable investment, it will have a minimum proportion of ___% of sustainable investments</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> with a social objective</li> </ul> <p><input type="checkbox"/> It promotes E/S characteristics, but <b>will not make any sustainable investments</b></p>



**Sustainability indicators** measure how the sustainable objectives of this financial product are attained.

## What is the sustainable investment objective of this financial product?

The Calvert Sustainable US Equity Select Fund's sustainable investment objective is to invest in companies that are either (i) involved in economic activities that address global environmental or societal challenges in areas such as environmental sustainability, diversity, equity and inclusion, respect for human rights and valuing human capital, in addition to demonstrating accountable governance and transparent operations or (ii) are leaders in managing environmental or social risks and opportunities, and in each case that are determined to be sustainable investments by the Investment Adviser.

In addition to this primary objective, the Fund will maintain a carbon profile lower than the Russell 1000 index and maintain higher levels of board gender diversity at the portfolio level than the Russell 1000 index.

The Fund has not designated a reference benchmark for the purpose of attaining its sustainable investment objective.

### ● **What sustainability indicators are used to measure the attainment of the sustainable investment objective of this financial product?**

All investments in the Fund will be evaluated under the Calvert Principles for Responsible Investment (the "Calvert Principles"). The Calvert Principles assess investee company activities and behaviours across a number of ESG themes (which are considered on a financial materiality basis) to determine their eligibility for Calvert funds. Portfolio managers then construct a portfolio of eligible issuers that meet their investment objective.

To conduct this analysis, Calvert developed the proprietary Calvert Research System ("CRS") that leverages indicators sourced from third party data vendors, external research partners, and Calvert's own proprietary custom indicators to support measurement and ranking of company performance on different ESG themes. An expert team of ESG sector analysts assess companies across the investable universe creating peer groups with similar ESG issues. Each peer group is evaluated and a thesis is developed to determine the themes which are most financially material to the group. A specific set of themes and underlying relevant indicators deemed to be financially material to the company's specific peer group are scored, assigned and weighted. Additionally, our team of analysts review circumstantial information (current and ongoing issues) from data vendors and news sources to determine if the company may have issues detrimental to its performance. The circumstantial review is applied as a discount to a company's overall score in the CRS system. The analyst then reviews the information from CRS to determine if the company meets the Calvert Principles. Such determinations are then presented to and approved by Calvert's Research Review Committee. The following themes are considered in CRS, as applicable, depending on a company's peer group and the financial materiality of each theme to that peer group:

- Environmental themes:
  - Biodiversity & Land
  - Climate & Energy
  - Overall Management of Environmental Risks
  - Packaging and Electronic Waste
  - Pollution and Waste
  - Environmental Impacts of the Supply Chain
  - Water
  -
- Social themes:
  - Employee Health and Safety
  - Valuing Human Capital & Labour Management
  - Privacy & Data Security



- Product Integrity
- Stakeholder Relations
- Social Impacts of the Supply Chain

The themes listed above are each supported by several sub-themes that feed into the over 200 peer group models housed within CRS. In total, over 700 underlying vendor data points feed into these environmental and social thematic indicators.

In instances where ESG data is very limited and cannot be assessed through CRS, companies may undergo a qualitative assessment to determine if the company meets the Calvert Principles.

After issuers have been rated based on CRS indicators deemed material for their peer group, the scores for environmental, social, governance and total scores are then normalised across peer groups and used to rank issuers to identify companies that are potentially leaders on environmental and/or social issues.

The Fund's additional carbon and diversity objectives are measured as follows:

- Carbon reduction is measured by weighted average carbon intensity, defined as tonnes of GHG per \$1million revenue. The Fund will maintain a substantially lower carbon footprint than the benchmark, i.e. a carbon footprint that is at least 50% less than the carbon footprint of the Russell 1000 index. Carbon emissions is measured by Scope 1 and 2 emissions. The Fund does not consider Scope 3 emissions for this purpose.
- Diversity is measured by weighted average number of women at the board level. The Fund will maintain higher levels of board diversity at the portfolio level than to the Russell 1000 index.

● ***How do sustainable investments not cause significant harm to any environmental or social sustainable investment objective?***

The Fund seeks to ensure that the sustainable investments of the Fund do not cause significant harm to relevant environmental or social sustainable investment objectives by:

- applying the Calvert Principles to determine an eligible investment universe that limits exposure to companies performing poorly on ESG matters;
- testing whether the investment meets the thresholds set by the Investment Adviser for each of the mandatory principal adverse impact ("PAI") indicators (see the response to the question, "How have the indicators for adverse impacts on sustainability factors been taken into account?" below for the details of this process); and
- ensuring that the sustainable investments of the Fund are aligned with the OECD Guidelines for Multinational Enterprises and the UN Principles on Business and Human Rights (see the response to the question, "How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights?" below for the details of this process).

Additionally, the investment management team reviews the portfolio holdings to determine if the company is involved in issues that would fall into a category of significant harm that is not captured by the above process.

— *How have the indicators for adverse impacts on sustainability factors been taken into account?*

The Fund firstly accounts for adverse impacts on sustainability factors through the application of Calvert's existing policies and the Calvert Principles which, as noted previously, consider the financially material negative impacts of investee companies on the environment, society, and human rights (among other ESG issues) through their activities or behaviour.

The Investment Adviser additionally tests all investments against the PAI indicators (listed below) which are mandatory for the Investment Adviser to consider under the EU

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

Sustainable Finance Disclosure Regulation (“SFDR”) rules and which are relevant to the investment. The Investment Adviser does this using a combination of quantitative and qualitative tests, using available third party and proprietary data for each PAI indicator.

PAI indicators:

**Investee companies**

1. GHG emissions
2. Carbon Footprint
3. GHG intensity of investee companies
4. Exposure to companies active in the fossil sector
5. Share of non-renewable energy consumption and production
6. Energy consumption intensity per high impact climate sector
7. Activities negatively affecting biodiversity sensitive areas
8. Emissions to water
9. Hazardous waste ratio
10. Violations of UN Global Compact and OECD
11. Lack of processes and compliance mechanisms to monitor compliance with the UNGC and OECD
12. Unadjusted gender pay gap
13. Board gender diversity
14. Exposure to controversial weapons

The Investment Adviser seeks data that is most closely aligned with each individual PAI. In some cases third party data is limited and if issuers are not covered by a vendor for a particular PAI the Investment Adviser will supplement with best available proxy indicators.

The Investment Adviser applies the following types of tests on the PAIs in order to determine if the investment is causing significant harm:

1. With respect to PAI indicators for which the Investment Adviser considers sufficient and reliable quantitative data is available across the investment universe, the Investment Adviser determines whether the adverse impact associated with the issuer’s activities is significant based on the issuer’s relative ranking to the overall investment universe and/or peer group.
2. For PAIs where data availability or quality is too limited to enable a quantitative analysis (e.g., activities negatively affecting biodiversity-sensitive areas) the Investment Adviser assesses significant harm on a qualitative basis using a combination of its own internal research and other available data.

In cases where PAI data suggests an investment may be causing significant harm, the Investment Adviser conducts additional desktop research to better understand and assess negative impacts indicated by third party or proprietary data. If the Investment Adviser concludes that the issuer is not causing significant harm based on its analysis, it may proceed with the investment and the rationale for that decision will then be documented. The Investment Adviser may conclude an issuer is not causing significant harm if:

- (i) the issuer has taken demonstrated steps and actions to address the potential significant harm such as through the adoption of timebound targets and goals or dedicated remediation activities and there are clear meaningful signs of improvement and positive change;
- (ii) the issuer has been identified by news sources and data vendors as potentially being involved in a controversy, but the issue is unresolved and the role of the issuer in causing harm is unclear, in these cases the Investment Adviser monitors the case on an ongoing basis to clarify its assessment as more information becomes available
- (iii) the underlying third party datapoint is subjective in nature (e.g., there is no definitive list provided by the UNGC setting out which companies violate their guidelines, meaning that what constitutes a violation of UNGC guidelines and what constitutes lack of processes to prevent UNGC violations are determinations that each vendor needs to

make individually) and the Investment Adviser's own research provides an alternative viewpoint;

- (iv) the Investment Adviser has reason to believe that third party data is inaccurate (e.g, based on estimates or flawed data assumptions) and the Investment Adviser's own research demonstrates that the issuer is not causing significant harm; or
- (v) the Investment Adviser has taken action to engage with the underlying issuer on the specific areas of potential harm to ensure adequate remedial steps are taken.

The Investment Adviser will keep such investments under review.

In cases where the Investment Adviser determines that an issuer is causing significant harm according to the PAI, it will be removed from the portfolio.

The Investment Adviser may use reasonable proxy indicators sourced from third parties to address the current lack of data for certain PAI indicators. The Investment Adviser's use of proxy indicators will be kept under review and will be replaced by PAI data from third-party data providers, when the Investment Adviser determines that sufficiently reliable data has become available.

– *How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights?*

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 make assessments on controversy cases that it views as being severe based on information from 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.

Through the application of the Calvert Principles by the Investment Adviser as appropriate for the Fund, the Fund incorporates consideration of the themes and values set out in the OECD Guidelines for Multi-National Enterprises and the UN Guiding Principles.

In particular, the Calvert Principles consider whether issuers:

- demonstrate poor management of environmental risks or contribute significantly to local or global environmental problems;
- demonstrate a pattern of employing forced, compulsory or child labor;
- exhibit a pattern and practice directly or through the company's supply chain of human rights violations or are complicit in human rights violations committed by governments or security forces, including those that are under U.S. or international sanction for human rights abuses; or
- exhibit a pattern and practice of violating the rights and protections of Indigenous Peoples.

The portfolio is expected to have no or limited exposure to such issuers – unless the Investment Adviser considers that the issuer is taking appropriate remedial steps or is overall exhibiting a strong performance across the themes set out above.

In addition, investments are screened using third party data regarding the issuer's compliance with the UN Guiding Principles on Business and Human Rights. Where the application of this screen reveals potential non-compliance, the Investment Adviser conducts additional desktop research to verify the issuer's non-compliance. Should the Investment Adviser determine that the issuer is appropriate for inclusion in the Fund notwithstanding the results of the third party screen (for example because of historical instances of non-compliance which have since been remediated in the Investment Adviser's view), the Investment Adviser will document its rationale for inclusion.

*The EU Taxonomy sets out a “do not significant harm” principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.*

*The “do no significant harm” principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.*

*Any other sustainable investments must also not significantly harm any environmental or social objectives.*

Regulation requires that this document include these statements. However, for the avoidance of doubt, this Fund does not: (i) take into account the EU criteria for environmentally sustainable economic activities in the EU Taxonomy; or (ii) calculate its portfolio alignment with the EU Taxonomy. As such, the Fund is 0% aligned with the EU Taxonomy. The “do no significant harm” principle applies only to the portion of the Fund’s investments that are sustainable investments.



### Does this financial product consider principal adverse impacts on sustainability factors?

- Yes  
 No

The Fund takes the mandatory PAI indicators into account for all its sustainable investments using a combination of qualitative and quantitative criteria, as explained above in response to the question “How have the indicators for adverse impacts on sustainability factors been taken into account?”

The Fund will make information available on how it has incorporated the PAIs into the Fund in its periodic reports to investors.



### What investment strategy does this financial product follow?

The Calvert Sustainable US Equity Select Fund’s investment objective is to provide long-term capital appreciation, measured in US Dollars, primarily investing in equity securities (as listed below) of large-capitalisation US companies that are either: (1) involved in economic activities that address global environmental or societal challenges that relate to areas such as environmental sustainability and resource efficiency, diversity, equity and inclusion, respect for human rights and valuing human capital in addition to demonstrating accountable governance and transparent operations; or (2) are leaders in managing financially material environmental or social risks and opportunities, such as carbon emission management and diversity, equity and inclusion.

The Fund will maintain a substantially lower carbon footprint (at least 50% less) than that of the underlying market benchmark (Russell 1000 Index) and taking into account the long term carbon reduction objectives of the Paris Agreement which may warrant a revision of the targeted range of reduction over time.

The Fund will seek to achieve its investment objective by investing primarily in equity securities including depositary receipts (such as American Depositary Receipts (ADRs), Global Depositary Receipts (GDRs), and European Depositary Receipts (EDRs).

The Fund is actively managed by the Investment Adviser on an ongoing basis in accordance with its investment strategy. The investment process is subject to regular review, as part of a control and monitoring framework implemented by the Investment Adviser and the Management Company.

**The investment strategy** guides investment decisions based on factors such as investment objectives and risk tolerance.

The Investment Adviser's Compliance, Risk and Portfolio Surveillance teams collaborate with the investment team to conduct regular portfolio/performance reviews and systemic checks to ensure compliance with portfolio investment objectives, investment and client guidelines, taking into account changing market conditions, information and strategy developments.

● ***What are the binding elements of the investment strategy used to select the investments to attain the sustainable investment objective?***

The Fund will aim to only make sustainable investments, alongside investments for hedging or liquidity purposes, as set out below.

All companies in the investment universe must firstly be deemed eligible for investment according to the Calvert Principles, which assess companies based on their management of material environmental, social and governance factors. Companies that are not adequately managing financially material environmental and social factors are deemed ineligible for investments. This assessment is performed using CRS and analyst decisions as described in response to the question above, "What sustainability indicators are used to measure the attainment of the sustainable investment objective of this financial product?". From the eligible universe, companies will be included in the portfolio only if they demonstrate leadership across environmental and/or social issues through their activities or behaviours.

After applying the Calvert Principles, the investment team uses a combined quantitative and qualitative process to select portfolio holdings that demonstrate ESG leadership or improvement. This process results in a portfolio of the top 20-40% of companies based on ESG factors as compared to the starting universe.

From a quantitative approach, the Investment Adviser seeks to identify companies that are Leaders in their peer group on environmental or social factors (which are assessed on a materiality basis) based on the Investment Adviser's proprietary ESG scores. The proprietary ESG scores are determined using a combination of third party and customized ESG data as a base, according to the ESG themes listed in response to the question, "What sustainability indicators are used to measure the attainment of the sustainable investment objective of this financial product?". Leadership is typically defined on a quantitative basis as issuers that are in the top third of their peer group according to the Investment Adviser's proprietary ESG scores.

After this quantitative assessment, companies identified also undergo a qualitative review to verify their leadership status. This review may result in issuers being removed or added to the investment portfolio. Issuers can only be added if there is a demonstration of leadership or significant improvement in the management of environmental or social issues.

All companies included in the portfolio must demonstrate leadership or significant improvement in a key ESG issue that drives positive impact through company operations and/or products or services. Operational leadership can be related to environmental sustainability (e.g., resource efficient, energy efficient, reducing other harmful environmental externalities) or social sustainability (e.g., effective supply chain management and stakeholder relationships and, strong human capital management, and diverse and inclusive cultures). Calvert believes that leadership in managing these operational impacts will create a healthier financial condition, enhanced competitive advantage, reduced legal / regulatory risks or strengthen company reputation and brand value. Leadership and improvement may also be expressed through a product strategy that includes products or services that address environmental or societal challenges, such as products that drive resource efficiencies or reduce pollution, or products that improve access to finance or basic services to underserved communities.

The Fund will also be managed on an ongoing basis to ensure that it has (i) a substantially lower carbon footprint (at least 50% less); and (ii) higher board diversity profile, than the Russell 1000 index.

The Investment Advisor shall not knowingly include companies in the fund which are:

- involved with severe ESG controversies without material remediation and improvement;
- manufacturing or production of controversial weapons and civilian firearms;

- manufacturing or production of tobacco; and
- gambling.

Further, 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 where the Investment Adviser determines that there has been material remediation and improvement.

**Good governance** practices include sound management structures, employee relations, remuneration of staff and tax compliance.

● **What is the policy to assess good governance practices of the investee companies?**

Within the Calvert Research System, the Calvert Governance Score is a common element across all peer group models. It is designed to capture the relationship between corporate governance and financial performance and to reduce country bias in company-level governance scoring.

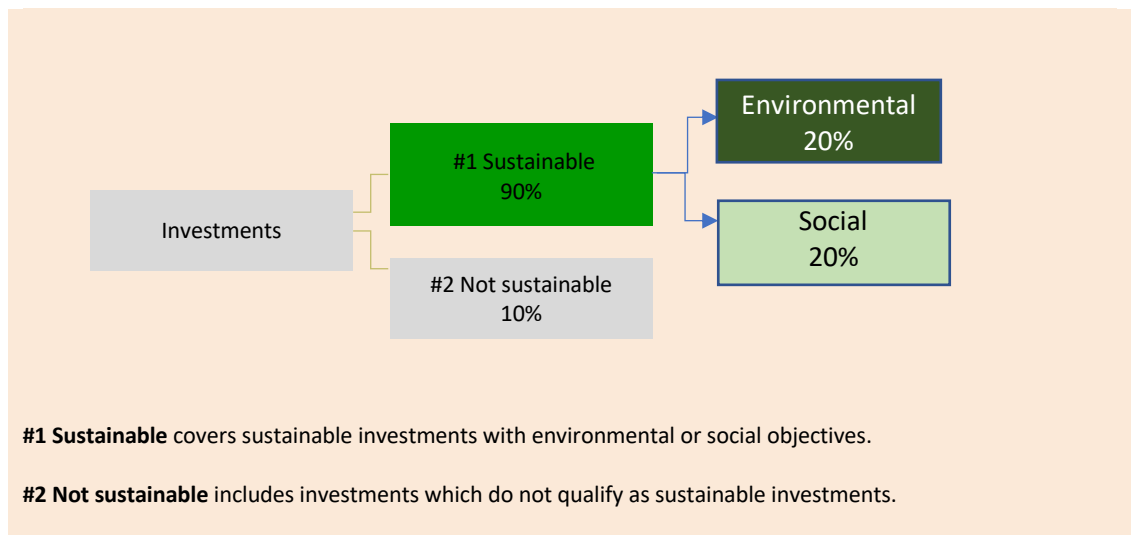
The score breaks issuers into four country clusters based on written rules and market practices in those countries.

The score then applies 10 custom composite KPIs weighted by financial materiality within each country context. The KPIs assess the issuer’s corporate governance and business practices, including but not limited to evidence of sound management structures and employee relations, fair remuneration of staff, and tax compliance, in order to ensure that every investee company follows good governance practices.



**What is the asset allocation and the minimum share of sustainable investments?**

**Asset allocation** describes the share of investments in specific assets.



The Calvert Principles and the selection process of leaders across environmental or social issues (as described above in response to the question, “What are the binding elements of the investment strategy used to select the investments to attain the sustainable investment objective?”) will be applied to 90% of the investments within the portfolio and the Fund will only make sustainable investments (alongside investments held for ancillary liquidity and hedging instruments).

The carbon tilt and diversity tilt are both applied at a portfolio level (and not at the level of individual holdings, meaning that individual holdings may have a higher weighted average carbon intensity and

lower weighted average number of women at the board level than the portfolio level average or target).

As a result of this process approximately 90% of portfolio holdings of the Fund are expected to consist of sustainable investments. Among these, the Fund commits to make a minimum of 20% of sustainable investments with an environmental objective and 20% of sustainable investments with a social objective which can both vary independently at any time.

The remaining approximately 10% is expected to consist of investments held for ancillary liquidity and hedging instruments.

These percentages are measured according to the portfolio weight, which is based on the market value of the investments.

● ***How does the use of derivatives attain the sustainable investment objective?***

Not applicable – the Fund does not use any derivatives to attain its sustainable investment objective.



Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.

**To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?**

Not applicable – the Investment Adviser does not take account of the EU Taxonomy in its management of the Fund and as such the Fund’s sustainable investments do not take into account the criteria for environmentally sustainable economic activities under the EU Taxonomy.

● ***Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy<sup>1</sup>?***

- Yes:
- In fossil gas     In nuclear energy
- No

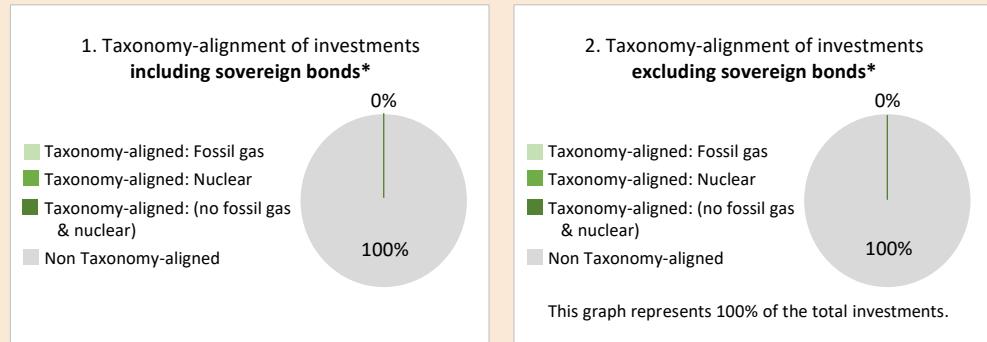
<sup>1</sup> Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change (“climate change mitigation”) and do not significantly harm any EU Taxonomy objective – see explanatory note in the left-hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

To comply with EU Taxonomy, the criteria for **fossil gas** include limitations on emission and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

**Transitional activities are** activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

*The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.*



*\* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures.*

● **What is the minimum share of investments in transitional and enabling activities?**

Not applicable – Although the Fund commits to invest in sustainable investments within the meaning of the SFDR, there is no commitment to a minimum share of investments in transitional and enabling activities.





are sustainable investments with an environmental objective that **do not take into account** the criteria for environment-ally sustainable economic activities under the EU Taxonomy.

### What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?

90% of the Fund's assets are expected to comprise sustainable investments that do not take into account the criteria for environmentally sustainable economic activities under the EU Taxonomy.

As explained above, the Fund commits to a minimum of 20% of sustainable investments with an environmental objective.

Although some of these sustainable investments may be Taxonomy aligned, due to lack of available data regarding the Taxonomy alignment of the underlying securities, the Investment Adviser has not been able to confirm whether these investments are in fact Taxonomy aligned and accordingly will not consider them as such in calculations until this data is reported on or otherwise becomes more reliable. The Investment Adviser uses its own methodology to determine whether certain investments are sustainable in accordance with the SFDR sustainable investment test, and then partly invests the Fund in such assets.



### What is the minimum share of sustainable investments with a social objective?

As explained above, the Fund commits to at least 20% of sustainable investments with a social objective.



### What investments are included under “#2 Not sustainable”, what is their purpose and are there any minimum environmental or social safeguards?

The “#2 Not sustainable” investments held in the Fund comprise of cash held as ancillary liquidity and hedging instruments. The investments in cash are not subject to any minimum environmental and social safeguards.



**Reference benchmarks** are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.

### Is a specific index designated as a reference benchmark to meet the sustainable investment objective?

Not applicable



### Where can I find more product specific information online?

More product-specific information can be found on the website:

[https://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite\\_msinvf\\_calvertsustainableusequityselect\\_en.pdf](https://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite_msinvf_calvertsustainableusequityselect_en.pdf)

**Template pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852**

**Product name:**  
Calvert US Equity Fund

**Legal entity identifier:**  
254900N0V32EZ5RG2W26

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not include a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the

## Environmental and/or social characteristics

**Does this financial product have a sustainable investment objective?**

<p><input checked="" type="radio"/> <input checked="" type="radio"/> <input type="checkbox"/> <b>Yes</b></p> <p><input type="checkbox"/> It will make a minimum of <b>sustainable investments with an environmental objective: ___%</b></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> </ul> <p><input type="checkbox"/> It will make a minimum of <b>sustainable investments with a social objective: ___%</b></p>	<p><input checked="" type="radio"/> <input type="radio"/> <input checked="" type="checkbox"/> <b>No</b></p> <p><input checked="" type="checkbox"/> It <b>promotes Environmental/Social (E/S) characteristics</b> and while it does not have as its objective a sustainable investment, it will have a minimum proportion of 50 % of sustainable investments</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input checked="" type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> <li><input checked="" type="checkbox"/> with a social objective</li> </ul> <p>It promotes E/S characteristics, but <b>will not make any sustainable investments</b></p>
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**What environmental and/or social characteristics are promoted by this financial product?**

Through the application of the Calvert Principles for Responsible Investment (the “**Calvert Principles**”), the Fund promotes environmental sustainability and resource efficiency, equitable societies and respect for human rights, in addition to accountable governance and transparent operations.

The Fund has not designated a reference benchmark for the purpose of attaining its environmental or social characteristics.

**Sustainability indicators** measure how the environmental or social characteristics promoted by the financial product are attained.

● ***What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?***

The sustainability indicators used to measure the attainment of the environmental and social characteristics promoted are:

- The % of names held in the Fund that are considered eligible for investment in accordance with the Calvert Principles.
- The % of the Fund's investments which qualify as sustainable investments under SFDR.

All investments in the Fund are made at the discretion of the Investment Adviser and will be evaluated in accordance with the Calvert Principles. The Calvert Principles is a framework to assess investee company activities and behaviours across a number of ESG themes (which are considered on a financial materiality basis) to determine their eligibility for Calvert funds. The Investment Adviser then constructs a portfolio of eligible issuers that meet their investment objective. The attainment of the environmental and social characteristics of the Fund will be measured based on whether names held in the Fund are considered eligible for investment in accordance with the Calvert Principles.

To conduct this analysis, Calvert developed the proprietary Calvert Research System ("**CRS**") that leverages indicators sourced from third party data vendors, external research partners, and Calvert's own proprietary custom indicators to support measurement and ranking of company performance on different ESG themes. An expert team of ESG research analysts assess companies across the investable universe creating peer groups with similar ESG issues. Each peer group is evaluated and a thesis is developed to determine the themes which are most financially material to the group. A specific set of themes and underlying relevant indicators deemed to be financially material to the company's specific peer group are scored, assigned and weighted. Additionally, Calvert's analysts review circumstantial information (current and ongoing issues) from data vendors and news sources to determine if an individual company may have issues detrimental to its performance. The circumstantial review is applied as a discount to a company's overall score in the CRS system. The analyst then reviews the information from CRS to make a qualitative determination on whether the company is eligible for investment in accordance with the Calvert Principles. Such determinations are then presented to and approved by Calvert's Responsible Research Review Committee.

The following themes are considered in CRS, as applicable, depending on a company's peer group and the financial materiality of each theme to that peer group:

- Environmental themes:
  - Biodiversity & Land
  - Climate & Energy
  - Overall Management of Environmental Risks
  - Packaging and Electronic Waste
  - Pollution and Waste
  - Environmental Impacts of the Supply Chain
  - Water
- Social themes:
  - Employee Health and Safety
  - Valuing Human Capital & Labour Management
  - Privacy & Data Security
  - Product Integrity
  - Stakeholder Relations
  - Social Impacts of the Supply Chain

The themes listed above are each supported by several sub-themes that feed into approximately 200 peer group models housed within CRS. In total, over 700 underlying vendor data points feed into these thematic indicators.

In instances where ESG data is very limited and cannot be assessed through CRS, companies may undergo a qualitative assessment to determine if the company meets the Calvert Principles. Qualitative assessments, like quantitative assessments, are presented to and approved by Calvert's Responsible Research Review Committee.

● ***What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?***

Calvert's approach to a sustainable investment is to ensure that an issuer is involved in an economic activity that is making a contribution to an environmental or social challenge, does not cause significant harm, and practices good governance. Issuers' involvement in economic activities making a positive contribution is determined using at least one of the following approaches:

- Companies that are considered leaders or improvers in managing financially material environmental or social risks and opportunities: Companies performing in the top 20-40% of their peer group on environmental or social factors determined to be financially material to the company, while not falling in the bottom 20-40% in any other material environmental, social, or governance issue according to Calvert's proprietary quantitative and qualitative assessment;
- Companies considered to be addressing global challenges – climate change: Companies addressing the climate transition, which is evaluated by selecting companies that perform in the top 20-40% of their peer group on material environmental factors, and supported with a qualitative assessment of companies' green solutions, carbon reduction commitments, carbon emission performance trends and/or their progress toward meeting any commitments through their products and services and/ or which demonstrate commitment to the goal of reaching transition;
- Companies considered to be addressing global challenges – diversity, equity and inclusion leaders and improvers: Companies that demonstrate leadership are evaluated based on the gender balance across different levels of the workforce and/or demonstrating leadership in ethnic diversity members relative to the country's demographic in certain applicable countries, as well as leadership in other dimensions of diversity among board members (including age, cultural background, and skill sets), and policies and procedures that adequately support equal opportunity in the hiring process, equal pay and fair promotion. Companies that demonstrate meaningful improvement in diversity practices is evidenced by 1) increased workforce diversity (gender or ethnicity), 2) demonstrated progress after a severe diversity or inclusion controversy, 3) resolved shareholder proposals (for companies based in US and Canada) on diversity and inclusion issues; or 4) identified as an engagement target by Calvert on diversity and inclusion issues;
- Companies considered to be addressing global challenges – other: Companies whose business practices, products or solutions, or operations make a positive contribution to an environmental or social objective. To determine and document whether a company is making a positive contribution, a variety of data sources may be used, including third party vendor data and proprietary assessments of the alignment of corporate revenues, capital expenditures, business models, or operational metrics with defined environmental or social objectives.

● ***How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?***

The Fund seeks to ensure that the sustainable investments of the Fund do not cause significant harm to relevant environmental or social sustainable investment objectives by:

- applying the Calvert Principles to determine an eligible investment universe that limits exposure to companies performing poorly on ESG matters;
- testing whether the investment meets the thresholds set by Calvert for each of the mandatory principal adverse impact ("PAI") indicators (see the response to the question, "*How have the indicators for adverse impacts on sustainability factors been taken into account?*" below for the details of this process); and
- ensuring that the sustainable investments of the Fund are aligned with the OECD Guidelines for Multinational Enterprises and the UN Principles on Business and Human Rights (see the response to the question, "*How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights?*" below for the details of this process).

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

— — — *How have the indicators for adverse impacts on sustainability factors been taken into account?*

The Fund firstly accounts for adverse impacts on sustainability factors through the application of Calvert’s existing policies and the Calvert Principles which, as noted previously, consider how the investee companies’ impacts – positive and negative – on the environment, society, and human rights (among other ESG issues) through their activities or corporate behaviour, can have financially material effects on their business.

Calvert additionally tests all sustainable investments against the PAIs which are mandatory to consider under the EU Sustainable Finance Disclosure Regulation (“**SFDR**”) rules and which are relevant to the investment. Calvert does this using a combination of quantitative and qualitative tests, using available third party and proprietary data for each PAI.

Calvert seeks data that is most closely aligned with each individual PAI. In some cases third party data is limited and if issuers or specific issues are not covered by a vendor for a particular PAI, Calvert will supplement with best available proxy indicators or qualitative analysis.

Calvert applies the following types of tests on the PAIs to sustainable investments in order to determine if the investment may be causing significant harm:

1. With respect to PAI indicators for which Calvert considers sufficient and reliable quantitative data is available across the investment universe, Calvert determines whether the adverse impact associated with the issuer’s activities is significant based on the issuer’s relative ranking within a peer group or benchmark universe, or based on an absolute standard of performance, as appropriate for the specific PAI.
2. For PAIs where data availability or quality is too limited to enable a quantitative analysis (e.g., activities negatively affecting biodiversity-sensitive areas), Calvert assesses significant harm on a qualitative basis using available proxy data.

In cases where third party or vendor data suggests a sustainable investment may be causing significant harm, Calvert conducts additional desktop research to better understand and assess negative impacts. If Calvert concludes that the issuer is not causing significant harm based on its analysis, the rationale for that decision will then be documented.

Calvert may conclude an issuer is not causing significant harm if:

- (i) the issuer has taken demonstrated steps and actions to address the potential significant harm such as through the adoption of time bound targets and goals or dedicated remediation activities and there are clear meaningful signs of improvement and positive change;
- (ii) the issuer has been identified by news sources and data vendors as being involved or potentially being involved in a controversy, however the controversy is at the level of unverified allegations; or the underlying issue now appears to be resolved through corporate, regulator or other action; or data vendor information available about the controversy is considered out of date by at least a year and further information showing steps towards positive resolution of the controversy are available;
- (iii) the underlying third party data point is subjective in nature (e.g. vendors make different assessments of UNGC compliance given differing proprietary methodologies in the absence of a UN-defined list of violators) and Calvert’s own research provides an alternative viewpoint;
- (iv) Calvert has reason to believe that third party data is inaccurate (e.g, outdated, or based on estimates or flawed data assumptions) and Calvert’s own research demonstrates that the issuer is not causing significant harm; or
- (v) Calvert has taken action to engage with the underlying issuer on the specific areas of potential harm to ensure adequate remedial steps are taken.

The Investment Advisor will keep such investments under review.

In cases where Calvert determines that an issuer is causing significant harm according to PAIs, the investment will be deemed not sustainable and it will not be counted towards the sustainable investment allocation of the Fund.

Calvert may use reasonable proxy indicators sourced from third parties to address the current lack of data for certain PAIs. Calvert's use of proxy indicators will be kept under review and will be replaced by alternative or enhanced sources, when it determines that sufficiently reliable data has become available.

— — *How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:*

For its sustainable investments, Calvert monitors business practices on an ongoing basis, through data on ESG controversies and standards screening sourced from third party providers. Calvert will make assessments on controversy cases that it views as being severe based on information from 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 as long as alignment with the portfolios environmental or social characteristics is maintained.

Through the application of the Calvert Principles to all investments in the Fund, the Fund incorporates consideration of the themes and values set out in the OECD Guidelines for Multi-National Enterprises and the UN Guiding Principles.

In particular, application of the Calvert Principles considers whether issuers:

- demonstrate poor management of environmental risks or contribute significantly to local or global environmental problems;
- demonstrate a pattern of employing forced, compulsory or child labour;
- exhibit a pattern and practice directly or through the company's supply chain of human rights violations or are complicit in human rights violations committed by governments or security forces, including those that are under U.S. or international sanction for human rights abuses; or
- exhibit a pattern and practice of violating the rights and protections of Indigenous Peoples.

In addition, sustainable investments are screened using third party data regarding the issuer's compliance with the UN Guiding Principles on Business and Human Rights. Where the application of this screen reveals potential non-compliance, Calvert conducts additional desktop research to verify the issuer's non-compliance. Should Calvert determine that the issuer is appropriate for inclusion in the Fund notwithstanding the results of the third party screen (for example because of historical instances of non-compliance which have since been remediated in Calvert's view), Calvert will document its rationale for inclusion.

*The EU Taxonomy sets out a "do not significant harm" principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.*

*The "do no significant harm" principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.*

*Any other sustainable investments must also not significantly harm any environmental or social objectives.*



**Does this financial product consider principal adverse impacts on sustainability factors?**

Yes No

In considering whether an investment held in the Fund is to be regarded as a sustainable investment, Calvert determines each issuer's compliance with the themes and values set out in the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles, which are contained in PAI #10 and which is therefore considered for all investments in the Fund.

The Fund will make information available on how it has incorporated the PAIs in its periodic reports to investors.



### What investment strategy does this financial product follow?

The Fund will invest in companies that exhibit, through their operations and business practices, sound management of Environmental, Social and Governance (ESG) characteristics. These characteristics include environmental sustainability, resource efficiency, support for equitable societies, respect for human rights, accountable governance, and transparent operations. The Investment Adviser seeks to invest in a portfolio of high-quality companies, determined by analysis of a company's financial statements and measured by a company's demonstrated ability to consistently grow earnings over the long-term. The Investment Adviser considers high quality companies as those that typically have strong balance sheets, durable cash flow, enduring competitive advantages, long product cycles, and stable demand over a business cycle, among other characteristics. The Investment Adviser may consider financial quality rankings provided by recognized rating services in their analysis. Through investment in high quality companies, the Investment Adviser seeks to build a portfolio that may participate in rising markets while minimizing participation in declining markets.

The investment strategy guides investment decisions based on factors such as investment objectives and risk tolerance.

### What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?

The binding elements of the investment strategy used to select the investments to achieve the environmental and social characteristics promoted are the following:

- The Fund will only invest in names that are considered eligible for investment in accordance with the Calvert Principles.
- At least 50% of the Fund's investments will qualify as sustainable investments under SFDR.

All companies in the investment universe and which are held in the Fund must be eligible according to the Calvert Principles, which assess companies based on their management of material environmental and social factors. Companies that are not adequately managing financially material environmental and social factors are deemed ineligible for investment. This assessment is performed using Calvert's research process and the CRS, as described in response to the question above: "What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?". Where a company is no longer deemed eligible for investment in accordance with the Calvert Principles, it will be divested from the Fund within a reasonable time period and taking into account the interests of shareholders.

### What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?

The Fund does not target a specific reduction rate of the scope of investments.

● **What is the policy to assess good governance practices of the investee companies?**

**Good governance** practices include sound management structures, employee relations, remuneration of staff and tax compliance.

Within the CRS, the Calvert Governance Score is a common element across all peer group models. It is designed to capture the relationship between corporate governance and financial performance and to reduce country bias in company-level governance scoring.

The score breaks issuers into four country clusters based on written rules and market practices in those countries.

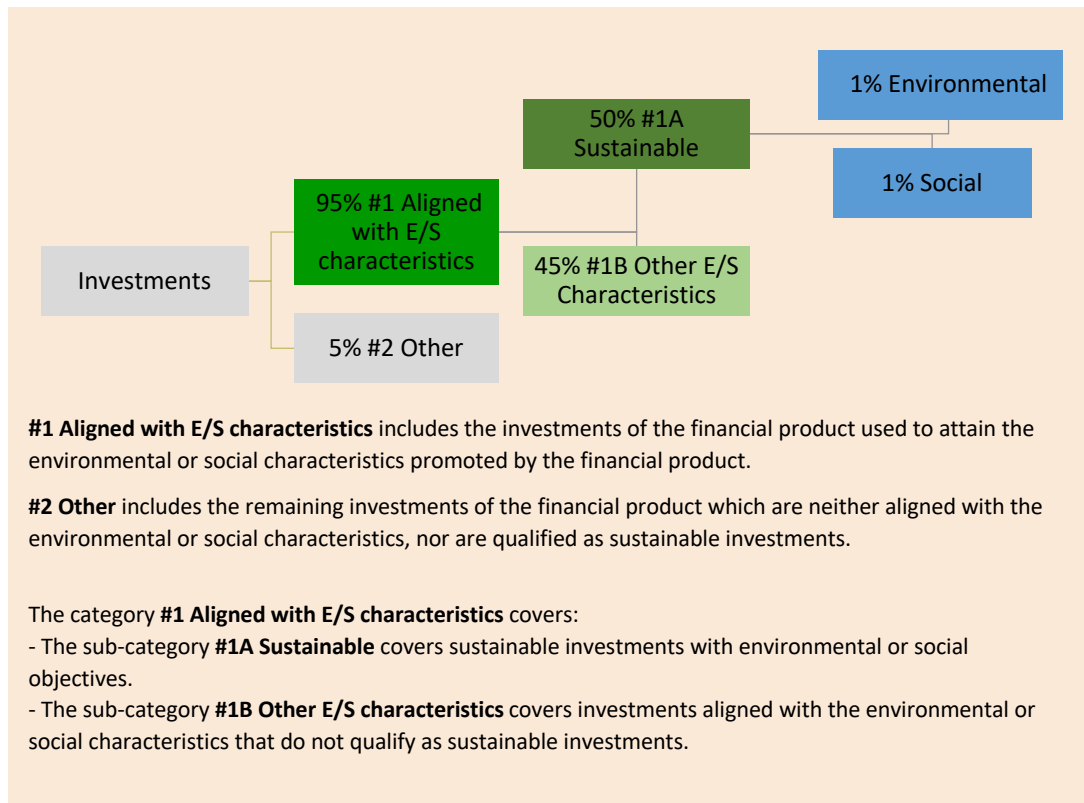
The score then applies 10 custom composite KPIs weighted by financial materiality within each country context. The KPIs assess the issuer’s corporate governance and business practices, including but not limited to evidence of sound management structures and employee relations, fair remuneration of staff, and tax compliance, in order to ensure that every investee company follows good governance practices.

When ESG data is very limited, a more qualitative research approach is taken. In these cases, the Calvert Governance Score is not generated, but a qualitative review of the company’s governance is conducted subject to the same oversight process as quantitatively scored issuers, including review by Calvert’s Responsible Research Review Committee.



**Asset allocation** describes the share of investments in specific assets.

**What is the asset allocation planned for this financial product?**



Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.

95% of the Fund’s assets will be held in investments that promote the E/S characteristics of the Fund. The remaining 5% will be cash and derivatives that are not aligned with the environmental and social characteristics of the Fund. Of the 95% of assets promoting E/S characteristics, 50% will also be sustainable investments. Of this 50% allocation to sustainable investments, a minimum of 1% will have an environmental objective, and a minimum of 1% will have a social objective, which can both vary independently at any time.

These percentages are measured according to the value of the investments.

● **How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?**



Not applicable.



**To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?**

The Fund does not commit to making a minimum portion of sustainable investments with an environmental objective aligned with the EU Taxonomy.

**Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy<sup>1</sup>?**

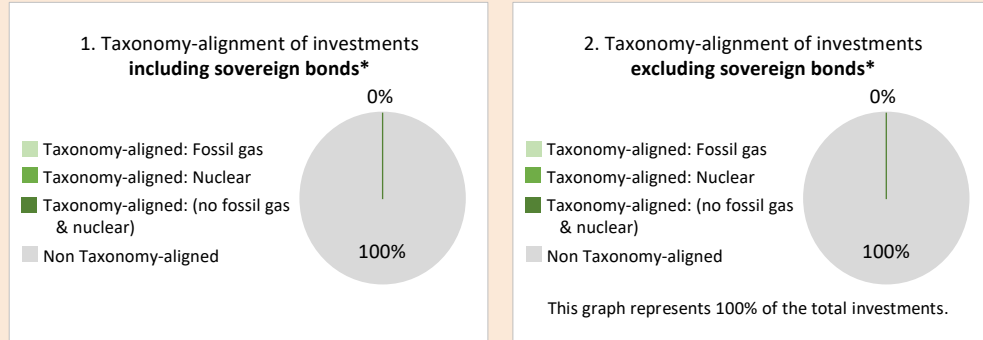
Yes:  
 In fossil gas      In  nuclear energy  
 No

To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

**Transitional activities** are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

*The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.*



\* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures.

**What is the minimum share of investments in transitional and enabling activities?**

<sup>1</sup> Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objective - see explanatory note in the left hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

Although the Fund commits to invest in sustainable investments within the meaning of the SFDR, there is no commitment to a minimum share of investments in transitional and enabling activities.



are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities under the EU Taxonomy.



### What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?

The Fund intends to make a minimum of 50% of sustainable investments, as defined under the SFDR. Among these, the Fund commits to make a minimum of 1% of sustainable investments with an environmental objective and 1% of sustainable investments with a social objective which can both vary independently at any time. These sustainable investments will represent at least 50% of the portfolio holdings on an aggregated basis.

Although some of these sustainable investments may be Taxonomy aligned, due to lack of available data regarding the Taxonomy alignment of the underlying securities, the Investment Adviser has not been able to confirm whether these investments are in fact Taxonomy aligned and accordingly will not consider them as such in calculations until this data is reported on or otherwise becomes more reliable.



### What is the minimum share of socially sustainable investments?

The Fund intends to make a minimum of 50% of sustainable investments. Among these, the Fund commits to make a minimum of 1% of sustainable investments with an environmental objective and 1% of sustainable investments with a social objective which can both vary independently at any time. These sustainable investments will represent at least 50% of the portfolio holdings on an aggregated basis.



### What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?

The Fund may hold up to 5% in cash as ancillary liquidity, and derivatives for hedging purposes. This is included in the “#2 Other” category and is not subject to environmental and/or social screening or any minimum environmental or social safeguards.



### Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?

Not applicable

**Reference benchmarks** are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.



### Where can I find more product specific information online?

More product-specific information can be found on the website:

[www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite\\_msinvf\\_calvertusequity\\_en.pdf](http://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite_msinvf_calvertusequity_en.pdf)

**Pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852**

**Product name:**  
Counterpoint Global Fund

**Legal entity identifier:**  
549300JO8YVX2S8XG475

## Environmental and/or social characteristics

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**.

That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

Does this financial product have a sustainable investment objective?	
<input checked="" type="radio"/> <input type="radio"/> <input type="checkbox"/> <b>Yes</b>	<input type="radio"/> <input checked="" type="radio"/> <input checked="" type="checkbox"/> <b>No</b>
<input type="checkbox"/> It will make a minimum of <b>sustainable investments with an environmental objective: ___%</b> <ul style="list-style-type: none"> <li><input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> </ul> <input type="checkbox"/> It will make a minimum of <b>sustainable investments with a social objective: ___%</b>	<input type="checkbox"/> It <b>promotes Environmental/Social (E/S) characteristics</b> and while it does not have as its objective a sustainable investment, it will have a minimum proportion of ___% of sustainable investments <ul style="list-style-type: none"> <li><input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> with a social objective</li> </ul> <input checked="" type="checkbox"/> It promotes E/S characteristics, but <b>will not make any sustainable investments</b>



## What environmental and/or social characteristics are promoted by this financial product?

The Fund promotes the following environmental and social characteristics:

- the Fund promotes the environmental characteristic of limiting environmental externalities by excluding investments in thermal coal; and
- the Fund promotes the social characteristic of avoiding investments in certain activities which can cause harm to human health and wellbeing, including tobacco and certain weapons, comprising civilian firearms, cluster munitions and anti-personnel mines.

These exclusions are implemented in line with the Fund's Restriction Screening Policy, which can be found on [www.morganstanley.com/im](http://www.morganstanley.com/im) at [https://www.morganstanley.com/im/publication/msinvf/material/rsp\\_msinvf\\_counterpointglobal\\_en.pdf](https://www.morganstanley.com/im/publication/msinvf/material/rsp_msinvf_counterpointglobal_en.pdf)

Further detail on the nature of these exclusions is set out below (in response to the question "What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?").

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Fund.

**Sustainability indicators** measure how the environmental or social characteristics promoted by the financial product are attained.

- **What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?**

The sustainability indicator is the percentage of companies in the Fund which breach the exclusionary screens. The sustainability indicator will therefore be that 0% of the Fund's investments are in violation of the Fund's Restriction Screening Policy.

Compliance with the exclusions is monitored on an ongoing basis through an automated process, comprising pre- and post-trade guideline monitoring and exception-based screening.

- **What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?**

Not applicable

- **How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?**

Not applicable

- *How have the indicators for adverse impacts on sustainability factors been taken into account?*

Not applicable

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

- *How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:*

Not applicable.

*The EU Taxonomy sets out a “do not significant harm” principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.*

*The “do no significant harm” principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.*

*Any other sustainable investments must also not significantly harm any environmental or social objectives.*

Regulation requires that this document include these statements. However, for the avoidance of doubt, this Fund does not: (i) take into account the EU criteria for environmentally sustainable economic activities in the EU Taxonomy; or (ii) calculate its portfolio alignment with the EU Taxonomy. As such, the Fund is 0% aligned with the EU Taxonomy. The “do no significant harm” principle applies only to the portion of the Fund’s investments that are sustainable investments.



### Does this financial product consider principal adverse impacts on sustainability factors?

Yes

No

The Fund considers principal adverse impacts (“PAI”) on sustainability factors only in part, as follows:

The Fund excludes issuers which receive a certain percentage of their revenue from thermal coal mining and extraction. The Fund therefore partly considers the PAI indicator (4) exposure to companies active in the fossil fuel sector.

The Fund excludes issuers which are involved in manufacturing the core weapon system of cluster munitions and anti-personnel mines. The Fund therefore partly considers the PAI indicator (14) exposure to controversial weapons.

Where the Investment Adviser considers the following PAI indicators to be materially relevant to, or impacted by, the activities of the issuer, it will also consider the following PAIs on sustainability factors. This will be done by the Investment Advisor (a) integrating ESG analysis within the research process and/or (b) engaging with management of investee companies. The PAIs considered are the following:

PAI indicator (1): Greenhouse gas emissions (GHG).

PAI indicator (3): GHG intensity.

PAI indicator (5): Non-Renewable energy consumption and production; and

PAI indicator (6): Energy consumption intensity per high impact climate sector.

As a result, the Fund contributes to mitigating the Fund’s adverse impacts on these sustainability factors.



**The investment strategy** guides investment decisions based on factors such as investment objectives and risk tolerance.

## What investment strategy does this financial product follow?

The Fund seeks long-term capital appreciation by investing primarily in established and emerging companies globally, with capitalisations within the range of companies include in the MSCI All Country World Index. To achieve its objective, the investment team typically invests in companies it believes have strong name recognition, sustainable competitive advantages with above average business visibility, the ability to deploy capital at high rates of return, strong balance sheets and an attractive risk/reward. The investment process integrates analysis of sustainability by using ESG factors as a lens for additional fundamental research, which can contribute to investment decision-making. The Investment Adviser seeks to understand how environmental and social initiatives within companies can create value by strengthening durable competitive advantages, creating growth opportunities, driving profitability, and/or aligning with secular growth trends. The Investment Adviser generally engages with company management teams to discuss their ESG practices, with the aim of identifying how sustainability themes present opportunities and risks that can be material to the value of the security over the long term.

### ● **What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?**

Binding restriction screens are applied to the Fund to restrict investments in corporate issuers whose industry classification or core business activity, determined in accordance with the methodology set out below, involves:

- Tobacco.
- Coal; or
- Weapons, comprising civilian firearms, cluster munitions and anti-personnel mines.

The methodology used to determine industry classification or core business activity for the purpose of the above-described screening is as follows:

- 1) Global Industry Classification Standard (GICS) Sub-Industry is Tobacco or Coal & Consumable Fuels;
- 2) Revenue (as defined by external third-party data):
  - more than 5% of its recent-year revenue (or estimated revenue) from Tobacco;
  - more than 10% of its recent-year revenue (or estimated revenue) from Thermal Coal;
  - more than 10% of its recent-year revenue (or estimated revenue) from the Manufacture of Civilian Firearms and ammunition; or
- 3) Involvement as identified by an external third-party data provider through corporate ownership, in manufacturing the core weapon system, or components/services of the core weapon system that are considered tailor-made and essential for the lethal use of the weapon, or cluster munitions and anti-personnel mines.

Investments that are held by the Fund but which breach one of the above exclusionary screens 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.

**Good governance** practices include sound management structures, employee relations, remuneration of staff and tax compliance.

● **What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?**

Not applicable. No minimum reduction rate has been defined in relation to the Fund's scope of investments. However, the Investment Adviser anticipates that the application of the exclusions described above will reduce the scope of the Fund's investment universe by up to 2%.

● **What is the policy to assess good governance practices of the investee companies?**

As part of the Fund's holistic approach to considering sustainability research and factors, the Investment Adviser of the Fund assesses governance practices of investee companies, including but not limited to looking at the management structures, employee relations, remuneration of staff, and tax compliance of such companies. In particular, the Investment Advisor uses a proprietary, systematic evaluation of governance policies, specifically focusing on compensation alignment on long-term value creation.



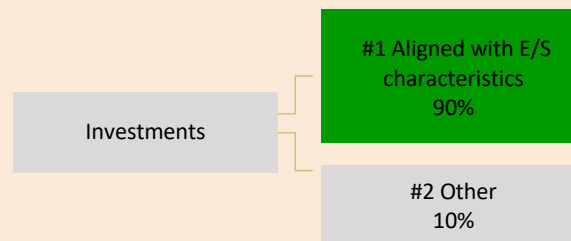
**Asset allocation**

describes the share of investments in specific assets.

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.

**What is the asset allocation planned for this financial product?**



**#1 Aligned with E/S characteristics** includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

**#2 Other** includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

Category #1 investments (i.e. those aligned with E/S characteristics) comprise all investments that are screened against the Fund's Restriction Screening Policy. Category #2 investments are those investments that are not screened against the Fund's Restriction Screening Policy.

The entirety of the Fund, apart from cash and derivatives held for efficient portfolio management purposes, are screened against the Fund's Restriction Screening Policy. This comprises 90% of the Fund. Accordingly, at least 90% of the Fund are Category #1 investments and the remaining 10% of the Fund (comprising cash and derivatives held for hedging purposes) are Category #2 investments.

These percentages are measured according to the value of the investments.

● **How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?**

Not applicable. The Fund does not use any derivatives to attain its environmental or social characteristics.



**To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?**

Not applicable.

To comply with EU Taxonomy, the criteria for **fossil gas** include limitations on emission and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

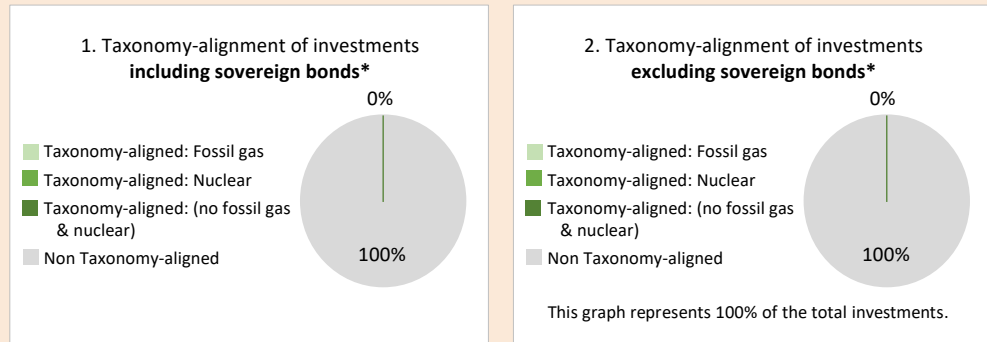
**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

**Transitional activities** are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

● **Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy<sup>1</sup>?**

- Yes:
  - In fossil gas
  - In nuclear energy
- No

*The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.*



\* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures.

● **What is the minimum share of investments in transitional and enabling activities?**

Not applicable

<sup>1</sup> Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objective – see explanatory note in the left-hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.





### What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?

Not applicable



are sustainable investments with an environmental objective that **do not take into account** the criteria for environment-ally sustainable economic activities under the EU Taxonomy.



### What is the minimum share of socially sustainable investments?

Not applicable



### What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?

10% of the Fund, comprising cash and derivatives held for efficient portfolio management purposes, are Category “#2 Other” investments. These instruments are not subject to environmental and/or social screening or any minimum environmental or social safeguards.



### Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?

Not applicable

**Reference benchmarks** are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.



### Where can I find more product specific information online?

More product-specific information can be found on the website:

[https://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite\\_msinvf\\_counterpointglobal\\_en.pdf](https://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite_msinvf_counterpointglobal_en.pdf)

**Pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852**

**Product name:**  
Developing Opportunity Fund

**Legal entity identifier:**  
549300LLOEXEQPRYTK93

## Environmental and/or social characteristics

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**.

That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

**Does this financial product have a sustainable investment objective?**

**Yes**

**No**

It will make a minimum of **sustainable investments with an environmental objective: \_\_\_%**

- in economic activities that qualify as environmentally sustainable under the EU Taxonomy
- in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

It will make a minimum of **sustainable investments with a social objective: \_\_\_%**

It **promotes Environmental/Social (E/S) characteristics** and while it does not have as its objective a sustainable investment, it will have a minimum proportion of \_\_\_% of sustainable investments

- with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy
- with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy
- with a social objective

It promotes E/S characteristics, but **will not make any sustainable investments**



## What environmental and/or social characteristics are promoted by this financial product?

The Fund promotes the following environmental and social characteristics:

- the Fund promotes the environmental characteristic of limiting environmental externalities by excluding investments in coal; and
- the Fund promotes the social characteristic of avoiding investments in certain activities which can cause harm to human health and wellbeing, including tobacco and certain weapons, comprising civilian firearms, cluster munitions and anti-personnel mines.

These exclusions are implemented in line with the Fund's Restriction Screening Policy, which can be found on [www.morganstanley.com/im](http://www.morganstanley.com/im) at [https://www.morganstanley.com/im/publication/msinvf/material/rsp\\_msinvf\\_counterpointglobal\\_en.pdf](https://www.morganstanley.com/im/publication/msinvf/material/rsp_msinvf_counterpointglobal_en.pdf)

Further detail on the nature of these exclusions is set out below (in response to the question "What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?").

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Fund.

**Sustainability indicators** measure how the environmental or social characteristics promoted by the financial product are attained.

- **What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?**

The sustainability indicator is the percentage of companies in the Fund which breach the exclusionary screens. The sustainability indicator will therefore be that 0% of the Fund's investments are in violation of the Fund's Restriction Screening Policy.

Compliance with the exclusions is monitored on an ongoing basis through an automated process, comprising pre- and post-trade guideline monitoring and exception-based screening.

- **What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?**

Not applicable

- **How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?**

Not applicable

- **How have the indicators for adverse impacts on sustainability factors been taken into account?**

Not applicable

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

- *How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:*

Not applicable.

*The EU Taxonomy sets out a “do not significant harm” principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.*

*The “do no significant harm” principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.*

*Any other sustainable investments must also not significantly harm any environmental or social objectives.*

Regulation requires that this document include these statements. However, for the avoidance of doubt, this Fund does not: (i) take into account the EU criteria for environmentally sustainable economic activities in the EU Taxonomy; or (ii) calculate its portfolio alignment with the EU Taxonomy. As such, the Fund is 0% aligned with the EU Taxonomy. The “do no significant harm” principle applies only to the portion of the Fund’s investments that are sustainable investments.



### Does this financial product consider principal adverse impacts on sustainability factors?

Yes

No

The Fund considers principal adverse impacts (“PAI”) on sustainability factors only in part, as follows:

- The Fund excludes issuers which receive a certain percentage of their revenue from coal mining and extraction. The Fund therefore partly considers the PAI indicator (4) exposure to companies active in the fossil fuel sector.
- The Fund excludes issuers which are involved in manufacturing the core weapon system of cluster munitions and anti-personnel mines. The Fund therefore partly considers the PAI indicator (14) exposure to controversial weapons.

Where the Investment Adviser considers the following PAI indicators to be materially relevant to, or impacted by, the activities of the issuer, it will also consider the following PAIs on sustainability factors. This will be done by the Investment Advisor (a) integrating ESG analysis within the research process and/or (b) engaging with management of investee companies. The PAIs considered are the following:

- PAI indicator (1): Greenhouse gas emissions (GHG);
- PAI indicator (2): Carbon footprint;
- PAI indicator (3): GHG intensity;
- PAI indicator (5): Non-Renewable energy consumption and production; and
- PAI indicator (6): Energy consumption intensity per high impact climate sector.

As a result, the Fund contributes to mitigating the Fund's adverse impacts on these sustainability factors.



**The investment strategy** guides investment decisions based on factors such as investment objectives and risk tolerance.

**Good governance** practices include sound management structures, employee relations, remuneration of staff and tax compliance.

## What investment strategy does this financial product follow?

The Fund seeks long-term capital appreciation by investing in high quality established and emerging companies located in developing markets that the investment team believes are undervalued at the time of purchase. To achieve its objective, the investment team typically favors companies it believes have sustainable competitive advantages that can be monetized 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).

### ● **What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?**

Binding restriction screens are applied to the Fund to restrict investments in corporate issuers whose industry classification or core business activity, determined in accordance with the methodology set out below, involves:

- Tobacco.
- Coal; or
- Weapons, comprising civilian firearms, cluster munitions and anti-personnel mines.

The methodology used to determine industry classification or core business activity for the purpose of the above-described screening is as follows:

- 1) Global Industry Classification Standard (GICS) Sub-Industry is Tobacco or Coal & Consumable Fuels;
- 2) Revenue (as defined by external third-party data):
  - more than 5% of its recent-year revenue (or estimated revenue) from Tobacco;
  - more than 10% of its recent-year revenue (or estimated revenue) from Thermal Coal;
  - more than 10% of its recent-year revenue (or estimated revenue) from the Manufacture of Civilian Firearms and ammunition; or
- 3) Involvement as identified by an external third-party data provider through corporate ownership, in manufacturing the core weapon system, or components/services of the core weapon system that are considered tailor-made and essential for the lethal use of the weapon, or cluster munitions and anti-personnel mines.

Investments that are held by the Fund but which breach one of the above exclusionary screens 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.

### ● **What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?**

Not applicable. No minimum reduction rate has been defined in relation to the Fund's scope of investments. However, the Investment Adviser anticipates that the application of the exclusions described above will reduce the scope of the Fund's investment universe by 1 - 5%.

● **What is the policy to assess good governance practices of the investee companies?**

As part of the Fund's holistic approach to ESG, the Investment Adviser of the Fund assesses governance practices of investee companies, including but not limited to looking at the management structures, employee relations, remuneration of staff, and tax compliance of such companies. This is framed by a set of questions applied consistently across companies. Topics include, but are not limited to, management incentives aligned with the long-term interest of shareholders, capital allocation, independent and engaged boards, and transparency of accounting.



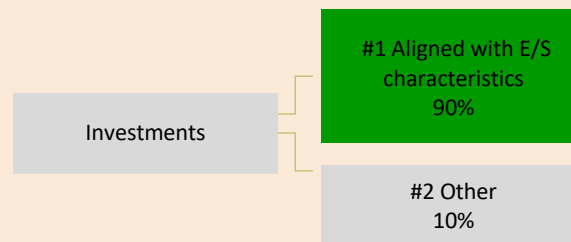
**Asset allocation**

describes the share of investments in specific assets.

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.

**What is the asset allocation planned for this financial product?**



**#1 Aligned with E/S characteristics** includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

**#2 Other** includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

Category #1 investments (i.e. those aligned with E/S characteristics) comprise all investments that are screened against the Fund's Restriction Screening Policy. Category #2 investments are those investments that are not screened against the Fund's Restriction Screening Policy.

The entirety of the Fund, apart from cash and derivatives held for efficient portfolio management purposes, are screened against the Fund's Restriction Screening Policy. This comprises 90% of the Fund. Accordingly, at least 90% of the Fund are Category #1 investments and the remaining 10% of the Fund (comprising cash and derivatives held for hedging purposes) are Category #2 investments.

These percentages are measured according to the value of the investments.

● **How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?**

Not applicable. The Fund does not use any derivatives to attain its environmental or social characteristics.



**To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?**

Not applicable

● **Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy<sup>1</sup>?**

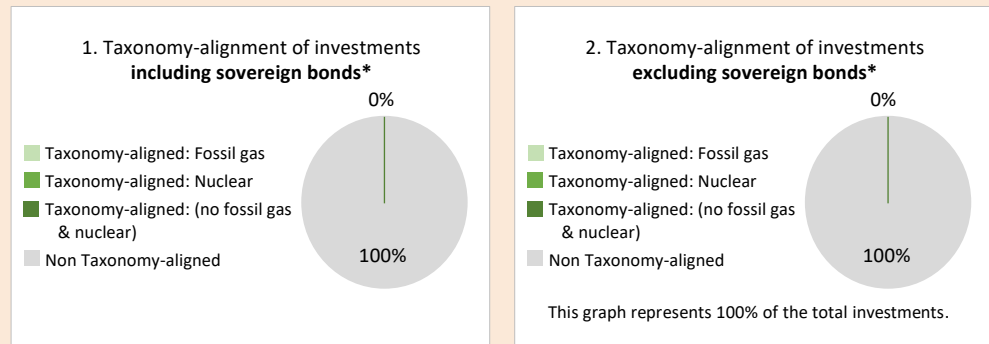
- Yes:
  - In fossil gas
  - In nuclear energy
- No

To comply with EU Taxonomy, the criteria for **fossil gas** include limitations on emission and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

**Transitional activities** are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

*The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.*



\* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures.

● **What is the minimum share of investments in transitional and enabling activities?**

Not applicable

<sup>1</sup> Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objective – see explanatory note in the left-hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.



### What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?

Not applicable



are sustainable investments with an environmental objective that **do not take into account** the criteria for environment-ally sustainable economic activities under the EU Taxonomy.



### What is the minimum share of socially sustainable investments?

Not applicable



### What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?

Up to 10% of the Fund, comprising cash and derivatives held for efficient portfolio management purposes, are Category “#2 Other” investments. These instruments are not subject to environmental and/or social screening or any minimum environmental or social safeguards.



### Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?

Not applicable

#### Reference

**benchmarks** are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.



### Where can I find more product specific information online?

More product-specific information can be found on the website:

[https://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite\\_msinvf\\_developingopportunity\\_en.pdf](https://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite_msinvf_developingopportunity_en.pdf)



**Pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852**

**Product name:**  
Emerging Leaders Equity Fund

**Legal entity identifier:**  
549300RVZ11RNS16PV05

## Environmental and/or social characteristics

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**.

That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

**Does this financial product have a sustainable investment objective?**

**Yes**

It will make a minimum of **sustainable investments with an environmental objective: \_\_\_%**

- in economic activities that qualify as environmentally sustainable under the EU Taxonomy
- in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

It will make a minimum of **sustainable investments with a social objective: \_\_\_%**

**No**

It **promotes Environmental/Social (E/S) characteristics** and while it does not have as its objective a sustainable investment, it will have a minimum proportion of \_\_\_% of sustainable investments

- with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy
- with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy
- with a social objective

It promotes E/S characteristics, but **will not make any sustainable investments**



## What environmental and/or social characteristics are promoted by this financial product?

Firstly, the Fund promotes the environmental characteristic of contributing towards climate change mitigation by seeking to achieve a lower carbon footprint than the MSCI Emerging Markets (Net) Index in aggregate at the portfolio level.

Secondly, the Fund avoids investments in certain industries with the potential to cause harm to the environmental and to human health and wellbeing, such as tobacco and weapons, by applying binding exclusions. Further detail on the nature of these exclusions is set out below (in response to the question, “*What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?*”).

Additional detail with respect to these exclusions is set out in response to the question “*What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?*” below.

The Fund does not use a reference benchmark to attain its environmental or social characteristics.

**Sustainability indicators** measure how the environmental or social characteristics promoted by the financial product are attained.

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

### ● **What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?**

Objective	Sustainability indicators
1. ESG exclusions	The application of the exclusionary screens to the Fund’s investments is measured by the percentage of the Fund’s investments which breach the exclusionary screens. The relevant sustainability indicator is therefore that 0% of the Fund’s investments are in violation of the Fund’s exclusionary screens.
2. Lower carbon footprint than MSCI Emerging Markets (Net) Index at an aggregate portfolio level	Weighted Average Carbon Intensity of portfolio compared against MSCI Emerging Markets (Net) Index.

### ● **What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?**

Not applicable

### ● **How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?**

Not applicable

- *How have the indicators for adverse impacts on sustainability factors been taken into account?*

Not applicable

- *How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:*

Not applicable

*The EU Taxonomy sets out a “do not significant harm” principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.*

*The “do no significant harm” principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.*

*Any other sustainable investments must also not significantly harm any environmental or social objectives.*

Regulation requires that this document include these statements. However, for the avoidance of doubt, this Fund does not: (i) take into account the EU criteria for environmentally sustainable economic activities in the EU Taxonomy; or (ii) calculate its portfolio alignment with the EU Taxonomy. As such, the Fund is 0% aligned with the EU Taxonomy.



### Does this financial product consider principal adverse impacts on sustainability factors?

Yes

No

The Fund considers some of the principal adverse impacts (“PAI”) on sustainability factors through the Fund’s exclusionary criteria as follows:

- The Fund excludes issuers whose core business is in thermal coal mining and extraction, thermal coal power generation and fossil fuels. The Fund therefore partly considers PAI indicator number 4: exposure to companies active in the fossil fuel sector.
- The Fund excludes issuers which derive any revenue from controversial weapons manufacturing or retail. The Fund therefore considers PAI indicator number 14: exposure to controversial weapons.



**The investment strategy** guides investment decisions based on factors such as investment objectives and risk tolerance.

## What investment strategy does this financial product follow?

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 relative to their peers on one or more ESG metrics

A country may be considered emerging or frontier based on classification in the MSCI Emerging Markets Net Index or similar classification by an organisation such as the International Monetary Fund, the United Nations or the World Bank, provided that the markets of these countries are considered to be recognised exchanges ("Recognised Exchanges") within the meaning of Article 41(1) of the Law of 17 December 2010 on undertakings for collective investment.

The Investment Adviser integrates the consideration of ESG issues in its investment decision-making. 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 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 in its investment decision-making. The Fund seeks to achieve a lower carbon footprint than the MSCI Emerging Markets Net Index.

### ● **What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?**

**Carbon footprint:** The Fund promotes the environmental characteristic of contributing towards climate change mitigation by seeking to achieve a lower carbon footprint than the MSCI Emerging Markets (Net) Index in aggregate at the portfolio level.

**ESG exclusions:** The Fund avoids investments in certain industries with the potential to cause harm to the Fund's environmental and social characteristics by applying binding exclusions, detailed in the Fund's Restriction Screening and ESG Policy, available on [www.morganstanleyinvestmentfunds.com](http://www.morganstanleyinvestmentfunds.com) and on [www.morganstanley.com/im](http://www.morganstanley.com/im)

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

- (i) tobacco;
- (ii) adult entertainment;
- (iii) civilian firearms;
- (iv) controversial weapons;
- (v) fossil fuels;
- (vi) coal;
- (vii) oil sands;
- (viii) Arctic oil and gas; and
- (ix) gambling.

Investments that are held by the Fund but become restricted because they breach the investment restrictions set out 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, considering the best interests of the Shareholders of the Fund.

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).

**Good governance** practices include sound management structures, employee relations, remuneration of staff and tax compliance.

● ***What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?***

The Fund commits to a 20% or more reduction of the investible universe prior to sourcing potential investments. This universe reduction will be achieved through application of the binding exclusions described in response to the previous question, complemented by exclusion of additional issuers or investments based on indicators such as MSCI ESG ratings/scores or consideration of certain GICS sectors, in each case as determined by the Investment Adviser from time to time.

● ***What is the policy to assess good governance practices of the investee companies?***

All investee companies within the Fund are assessed on their governance which is embedded in the investment process and considered as part of initial research and stock selection. The team also engages with companies and boards directly on issues material to governance, among other issues. An investment has to be considered by the Investment Advisor to have good governance to be included within the portfolio.

As an input to its governance assessment, the investment team has also chosen several third-party binary (pass/fail) proxy indicators to assess issuer management structures, employee relations, remuneration of staff and tax compliance, to the extent they are covered by third party providers. In the event that an issuer fails under one of these proxy indicators, the default position is that the issuer will be excluded from the Fund. The Investment Adviser may include issuers that fail on one or more of these proxy indicators where (i) it considers that the third party data is inaccurate or out of date; or (ii) it considers that, upon review, the issuer is exhibiting good governance practices overall (such that the results of the proxy indicator tests do not in fact indicate a material impact on good governance). In reaching this determination, the Investment Adviser may take into account any remedial actions being undertaken by the company.



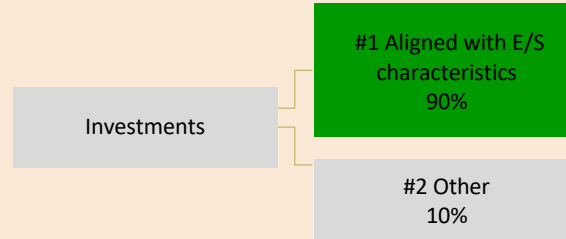
### Asset allocation

describes the share of investments in specific assets.

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.

## What is the asset allocation planned for this financial product?



**#1 Aligned with E/S characteristics** includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

**#2 Other** includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

A minimum of 90% of the Fund's investments will be aligned with environmental and social characteristics.

As explained above, the Fund's aim to maintain a lower carbon footprint than the MSCI Emerging Markets (Net) Index is applied at a portfolio level (and not at the level of individual holdings, some of which may on an individual basis have a higher carbon intensity than the portfolio level average or target).

The remaining 10% of the Fund's investments will not be aligned with E/S characteristics. The Fund does not intend to make any sustainable investments within the meaning of the Sustainable Finance Disclosure Regulation.

- ***How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?***

Not applicable. The Fund does not use any derivatives to attain its environmental or social characteristics.



## To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

Not applicable

- ***Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy<sup>1</sup>?***

<sup>1</sup> Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objective – see explanatory note in the left-hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

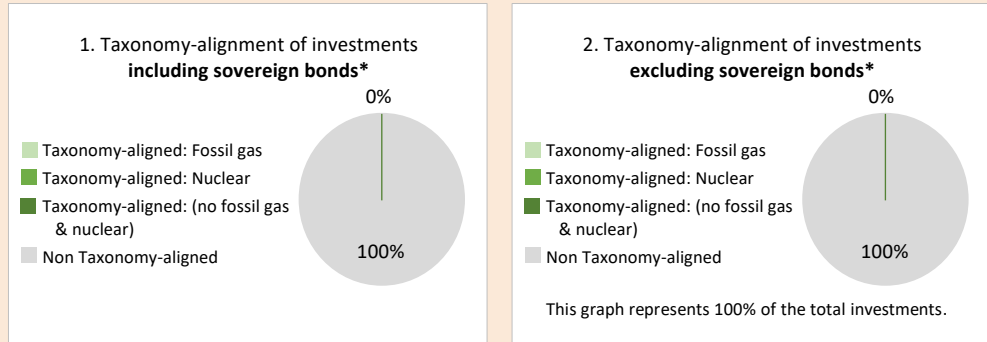
- Yes:
  - In fossil gas
  - In nuclear energy
- No

To comply with EU Taxonomy, the criteria for **fossil gas** include limitations on emission and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

**Transitional activities** are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

*The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.*



\* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures.

● **What is the minimum share of investments in transitional and enabling activities?**

Not applicable

● **What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?**

Not applicable



are sustainable investments with an environmental objective that **do not take into account** the criteria for environment-ally sustainable economic activities under the EU Taxonomy.



### What is the minimum share of socially sustainable investments?

Not applicable



### What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?

The “#2 Other category is expected to be made up of (i) companies which are not subject to the exclusions set out above; (ii) companies where a dedicated company engagement to supplement data points has not yet been completed, (iii) hedging instruments and/or (iv) cash held for ancillary liquidity. These investments are not subject to minimum environmental or social safeguards.



### Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?

Not applicable

**Reference benchmarks** are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.



### Where can I find more product specific information online?

More product-specific information can be found on the website:

[https://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite\\_msinvf\\_emergingleadersequity\\_en.pdf](https://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite_msinvf_emergingleadersequity_en.pdf)



Pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852

**Product name:**  
Europe Opportunity Fund

**Legal entity identifier:**  
54930039WYT5E8WI3793

## Environmental and/or social characteristics

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**.

That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

### Does this financial product have a sustainable investment objective?

**Yes**

It will make a minimum of **sustainable investments with an environmental objective: \_\_\_%**

- in economic activities that qualify as environmentally sustainable under the EU Taxonomy
- in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

It will make a minimum of **sustainable investments with a social objective: \_\_\_%**

**No**

It **promotes Environmental/Social (E/S) characteristics** and while it does not have as its objective a sustainable investment, it will have a minimum proportion of \_\_\_% of sustainable investments

- with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy
- with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy
- with a social objective

It promotes E/S characteristics, but **will not make any sustainable investments**



## What environmental and/or social characteristics are promoted by this financial product?

The Fund promotes the following environmental and social characteristics:

- the Fund promotes the environmental characteristic of limiting environmental externalities by excluding investments in coal; and
- the Fund promotes the social characteristic of avoiding investments in certain activities which can cause harm to human health and wellbeing, including tobacco and certain weapons, comprising civilian firearms, cluster munitions and anti-personnel mines.

These exclusions are implemented in line with the Fund's Restriction Screening Policy, which can be found on [www.morganstanley.com/im](http://www.morganstanley.com/im) at [https://www.morganstanley.com/im/publication/msinvf/material/rsp\\_msinvf\\_counterpointglobal.en.pdf](https://www.morganstanley.com/im/publication/msinvf/material/rsp_msinvf_counterpointglobal.en.pdf)

Further detail on the nature of these exclusions is set out below (in response to the question "What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?").

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Fund.

**Sustainability indicators** measure how the environmental or social characteristics promoted by the financial product are attained.

- **What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?**

The sustainability indicator is the percentage of companies in the Fund which breach the exclusionary screens. The sustainability indicator will therefore be that 0% of the Fund's investments are in violation of the Fund's Restriction Screening Policy.

Compliance with the exclusions is monitored on an ongoing basis through an automated process, comprising pre- and post-trade guideline monitoring and exception-based screening.

- **What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?**

Not applicable

- **How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?**

Not applicable

- **How have the indicators for adverse impacts on sustainability factors been taken into account?**

Not applicable

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

- How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:

Not applicable.

*The EU Taxonomy sets out a “do not significant harm” principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.*

*The “do no significant harm” principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.*

*Any other sustainable investments must also not significantly harm any environmental or social objectives.*

Regulation requires that this document include these statements. However, for the avoidance of doubt, this Fund does not: (i) take into account the EU criteria for environmentally sustainable economic activities in the EU Taxonomy; or (ii) calculate its portfolio alignment with the EU Taxonomy. As such, the Fund is 0% aligned with the EU Taxonomy. The “do no significant harm” principle applies only to the portion of the Fund’s investments that are sustainable investments.



### Does this financial product consider principal adverse impacts on sustainability factors?

Yes

No

The Fund considers principal adverse impacts (“PAI”) on sustainability factors only in part, as follows:

- The Fund excludes issuers which receive a certain percentage of their revenue from coal mining and extraction. The Fund therefore partly considers the PAI indicator (4) exposure to companies active in the fossil fuel sector.
- The Fund excludes issuers which are involved in manufacturing the core weapon system of cluster munitions and anti-personnel mines. The Fund therefore partly considers the PAI indicator (14) exposure to controversial weapons.

Where the Investment Adviser considers the following PAI indicators to be materially relevant to, or impacted by, the activities of the issuer, it will also consider the following PAIs on sustainability factors. This will be done by the Investment Advisor (a) integrating ESG analysis within the research process and/or (b) engaging with management of investee companies. The PAIs considered are the following:

- PAI indicator (1): Greenhouse gas emissions (GHG);
- PAI indicator (2): Carbon footprint;
- PAI indicator (3): GHG intensity;

- PAI indicator (5): Non-Renewable energy consumption and production; and
- PAI indicator (6): Energy consumption intensity per high impact climate sector.

As a result, the Fund contributes to mitigating the Fund's adverse impacts on these sustainability factors.



**The investment strategy** guides investment decisions based on factors such as investment objectives and risk tolerance.

## What investment strategy does this financial product follow?

The Fund seeks long-term capital appreciation by investing in high quality established and emerging companies located in Europe that the investment team believes are undervalued at the time of purchase. To achieve its objective, the investment team typically favors companies it believes have sustainable competitive advantages that can be monetized 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).

- ***What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?***

Binding restriction screens are applied to the Fund to restrict investments in corporate issuers whose industry classification or core business activity, determined in accordance with the methodology set out below, involves:

- Tobacco.
- Coal; or
- Weapons, comprising civilian firearms, cluster munitions and anti-personnel mines.

The methodology used to determine industry classification or core business activity for the purpose of the above-described screening is as follows:

- 1) Global Industry Classification Standard (GICS) Sub-Industry is Tobacco or Coal & Consumable Fuels;
- 2) Revenue (as defined by external third-party data):
  - more than 5% of its recent-year revenue (or estimated revenue) from Tobacco;
  - more than 10% of its recent-year revenue (or estimated revenue) from Thermal Coal;
  - more than 10% of its recent-year revenue (or estimated revenue) from the Manufacture of Civilian Firearms and ammunition; or
- 3) Involvement as identified by an external third-party data provider through corporate ownership, in manufacturing the core weapon system, or components/services of the core weapon system that are considered tailor-made and essential for the lethal use of the weapon, or cluster munitions and anti-personnel mines.

Investments that are held by the Fund but which breach one of the above exclusionary screens 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.

**Good governance** practices include sound management structures, employee relations, remuneration of staff and tax compliance.

● **What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?**

Not applicable. No minimum reduction rate has been defined in relation to the Fund’s scope of investments. However, the Investment Adviser anticipates that the application of the exclusions described above will reduce the scope of the Fund’s investment universe by 1 - 5%.

● **What is the policy to assess good governance practices of the investee companies?**

As part of the Fund's holistic approach to ESG, the Investment Adviser of the Fund assesses governance practices of investee companies, including but not limited to looking at the management structures, employee relations, remuneration of staff, and tax compliance of such companies. This is framed by a set of questions applied consistently across companies. Topics include, but are not limited to, management incentives aligned with the long-term interest of shareholders, capital allocation, independent and engaged boards, and transparency of accounting.

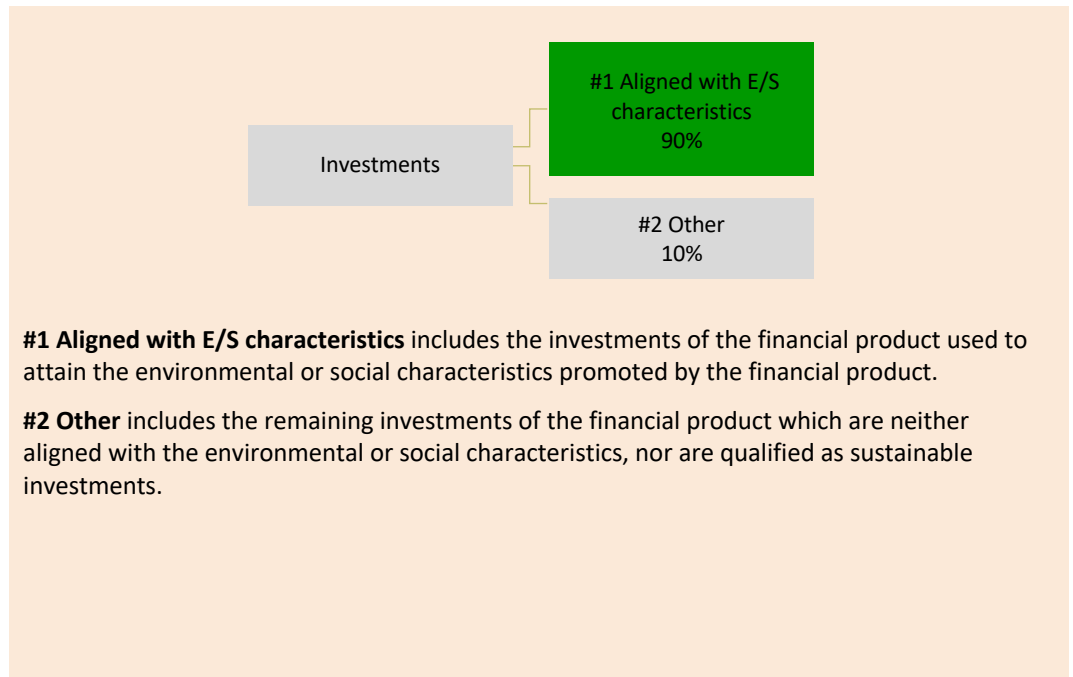


**Asset allocation** describes the share of investments in specific assets.

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.

**What is the asset allocation planned for this financial product?**



**#1 Aligned with E/S characteristics** includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

**#2 Other** includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

Category #1 investments (i.e. those aligned with E/S characteristics) comprise all investments that are screened against the Fund’s Restriction Screening Policy. Category #2 investments are those investments that are not screened against the Fund’s Restriction Screening Policy.

The entirety of the Fund, apart from cash and derivatives held for efficient portfolio management purposes, are screened against the Fund’s Restriction Screening Policy. This comprises 90% of the Fund. Accordingly, at least 90% of the Fund are Category #1 investments and the remaining 10% of the Fund (comprising cash and derivatives held for hedging purposes) are Category #2 investments.

These percentages are measured according to the value of the investments.

● **How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?**

Not applicable. The Fund does not use any derivatives to attain its environmental or social characteristics.



**To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?**

Not applicable

● **Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy<sup>1</sup>?**

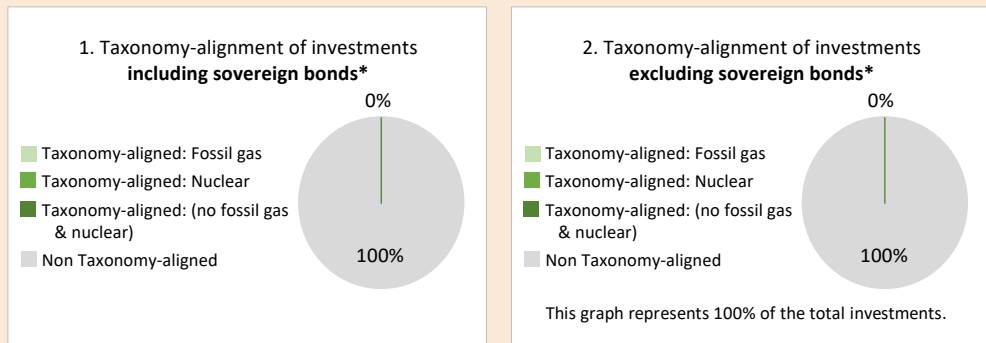
- Yes:
  - In fossil gas
  - In nuclear energy
- No

To comply with EU Taxonomy, the criteria for **fossil gas** include limitations on emission and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

**Transitional activities** are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

*The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.*



\* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures.

<sup>1</sup> Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objective – see explanatory note in the left-hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

● **What is the minimum share of investments in transitional and enabling activities?**

Not applicable



**What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?**

Not applicable



are sustainable investments with an environmental objective that **do not take into account** the criteria for environmentally sustainable economic activities under the EU Taxonomy.



**What is the minimum share of socially sustainable investments?**

Not applicable



**What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?**

Up to 10% of the Fund, comprising cash and derivatives held for efficient portfolio management purposes, are Category “#2 Other” investments. These instruments are not subject to environmental and/or social screening or any minimum environmental or social safeguards.



**Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?**

Not applicable

**Reference benchmarks** are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.



**Where can I find more product specific information online?**

More product-specific information can be found on the website:

[https://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite\\_msinvf\\_europeopportunity\\_en.pdf](https://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite_msinvf_europeopportunity_en.pdf)

**Pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852**

**Product name:**  
European Property Fund

**Legal entity identifier:**  
TE6MWN7B3THSZYQWH072

## Environmental and/or social characteristics

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**.

That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

Does this financial product have a sustainable investment objective?	
●● <input type="checkbox"/> Yes	●● <input checked="" type="checkbox"/> No
<input type="checkbox"/> It will make a minimum of <b>sustainable investments with an environmental objective: ___%</b> <ul style="list-style-type: none"> <li><input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> </ul> <input type="checkbox"/> It will make a minimum of <b>sustainable investments with a social objective: ___%</b>	<input type="checkbox"/> It <b>promotes Environmental/Social (E/S) characteristics</b> and while it does not have as its objective a sustainable investment, it will have a minimum proportion of ___% of sustainable investments <ul style="list-style-type: none"> <li><input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> with a social objective</li> </ul> <input checked="" type="checkbox"/> It promotes E/S characteristics, but <b>will not make any sustainable investments</b>





## What environmental and/or social characteristics are promoted by this financial product?

The Fund promotes the social characteristic of avoiding investments in certain activities which can cause harm to human health and wellbeing or be damaging to social cohesion. The Fund also excludes certain companies which have experienced notable sustainability-related controversies, or which are in violation of international norms.

Further detail on the nature of these exclusions is set out below (in response to the question “*What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?*”).

The Fund has not designated a reference benchmark for the purposes of attaining its social characteristics.

**Sustainability indicators** measure how the environmental or social characteristics promoted by the financial product are attained.

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

- **What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?**

The application of the exclusionary screens to the Fund’s investments is measured by the percentage of the Fund’s investments which breach the exclusionary screens. The relevant sustainability indicator is therefore that 0% of the Fund’s investments are in violation of the Fund’s exclusionary screens.

- **What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?**

Not applicable

- **How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?**

Not applicable

- *How have the indicators for adverse impacts on sustainability factors been taken into account?*

Not applicable

- *How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:*

Not applicable.



## Does this financial product consider principal adverse impacts on sustainability factors?

- Yes  
 No

As described under *What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?* below, the Fund does not knowingly invest companies that fail to comply with

the UN Global Compact or the ILO fundamental principles, unless the Investment Adviser considers that the company is taking appropriate steps for material remediation and improvement. The Fund therefore considers in part, PAI indicator number 10: violations of the UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises.



**The investment strategy** guides investment decisions based on factors such as investment objectives and risk tolerance.

## What investment strategy does this financial product follow?

The European Property Fund's investment objective is to seek long term capital appreciation, by investing primarily in equity securities of companies in the real estate industry, or closely related to the real estate industry Located throughout Europe. The investment process utilizes internal proprietary research to invest in public real estate companies that may offer the best relative value relative to their underlying assets and earnings.

The investment process is subject to regular review, as part of a control and monitoring framework implemented by the Investment Adviser and the Management Company. Morgan Stanley Investment Management's Compliance, Risk and Portfolio Surveillance teams collaborate with investment teams to conduct regular portfolio/performance reviews and systemic checks to ensure compliance with portfolio investment objectives, investment and client guidelines, taking into account changing market conditions, information and strategy developments.

The Investment Adviser utilizes a bottom-up approach, valuing each security within the investment universe to arrive at an estimate of net asset value and forward cash flows. Real estate specific factors, broader equity factors, and environmental, social and governance (ESG) factors (as described further below) are assessed in the fundamental analysis to calculate appropriate valuation metrics. The Investment Adviser also incorporates a top-down approach in the portfolio construction process by integrating several factors which may include forecasted fundamental inflections, macroeconomic considerations, and geopolitical and country risk assessments, to achieve diversified exposure across countries and/or sectors.

In addition to the ESG considerations described in this document on a binding basis, the Fund integrates ESG considerations in the investment decision-making process to support its environmental and social characteristics on a non-binding basis. The Investment Adviser assesses key ESG risks and opportunities in the bottom-up stock selection process primarily by leveraging third-party ESG providers to assess and quantify ESG performance for issuers, supplementing third-party research with proprietary research conducted by the Investment Advisor including utilizing a framework for assessing and quantifying risks and opportunities related to ESG which results in a quantitative adjustment to valuation estimates, and through engagements with company management to discuss ESG-related strengths, weaknesses, and opportunities in an effort to effect positive change within the industry. While ESG considerations are an integrated and fundamental part of the investment process, they are only one of several key determinants used by the Investment Adviser to determine if an investment will be made or size adjusted in the overall portfolio.

### ● ***What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?***

#### **Social and environmental exclusions:**

The Fund shall not knowingly invest in any company which derives more than 10% of company revenue from any one of the following activities:

- owning or operating real estate used for for-profit prisons;
- owning or operating real estate used to manufacture cannabis;
- manufacturing or production of tobacco;
- manufacturing or production of coal mining;

- manufacturing or production of controversial weapons and civilian firearms; and
- manufacturing or production of arctic oil and gas.

In addition, the Fund shall not knowingly invest in the following companies:

- companies that do not have at least one female board member.

**International norms exclusions:**

The Fund shall not knowingly invest in the following companies:

- companies that have experienced a notable sustainability-related controversy related to their operations and/or products, where the severity of the social or environmental impact of the controversy is above a certain threshold based on third party data, unless the Investment Adviser considers that the company is taking appropriate steps for material remediation and improvement; or
- companies that fail to comply with the UN Global Compact or the ILO fundamental principles, unless the Investment Adviser considers that the company is taking appropriate steps for material remediation and improvement.

The above exclusions are implemented in line with the Fund's Restriction Screening and ESG Policy which can be found on [www.morganstanleyinvestmentfunds.com](http://www.morganstanleyinvestmentfunds.com) and on [www.morganstanley.com/im](http://www.morganstanley.com/im)

The Investment Adviser may apply additional ESG-related investment restrictions over time that it believes are consistent with its investment objectives and with the environmental or social characteristics that the Fund promotes. Such additional investment 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)

**Good governance** practices include sound management structures, employee relations, remuneration of staff and tax compliance.

● ***What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?***

Not applicable. No minimum reduction rate has been defined in relation to the Fund's scope of investments.

However, the Investment Adviser anticipates that the application of

- the social exclusions described above will reduce the scope of the Fund's investments by up to 1%; and
- the international norms exclusions described above will reduce the scope of the Fund's investments by up to 1%.

The anticipated reduction figures above are by market capitalisation of the Fund's potential investment universe.

● ***What is the policy to assess good governance practices of the investee companies?***

As part of its bottom-up research process, the Investment Adviser incorporates assessment of an issuer's corporate governance and business practices, including but not limited to evidence of sound management structures and employee relations, fair remuneration of staff, and tax compliance, in order to ensure that every investee company follows good governance practices.

This is done through the monitoring of data on governance-related, as well as on other environmental and/or social factors and controversies, sourced from third party providers, through in-house research, and through engagement with the management of selected issuers on corporate governance and disclosure issues.



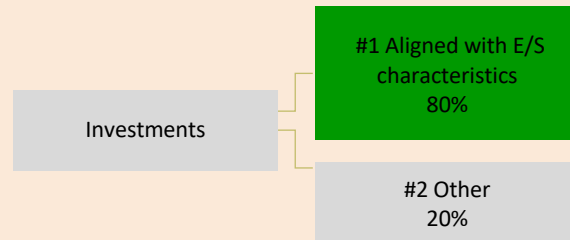
### Asset allocation

describes the share of investments in specific assets.

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies

## What is the asset allocation planned for this financial product?



**#1 Aligned with E/S characteristics** includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

**#2 Other** includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

At least 80% of the Fund's investments align with the environmental and social characteristics it promotes, through the application of the above-mentioned exclusions.

A maximum of 20% of the Fund may be invested in hedging and/or cash instruments, which do not align with any environmental or social characteristics.

These percentages are measured according to the value of the investments.

The Fund does not intend to make any sustainable investments within the meaning of the Sustainable Finance Disclosure Regulation ("SFDR").

- ***How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?***

The Fund does not use derivatives to attain the environmental or social characteristics which it promotes.



## To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

Not applicable

- ***Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy<sup>1</sup>?***

<sup>1</sup> Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objective – see explanatory note in the left-hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

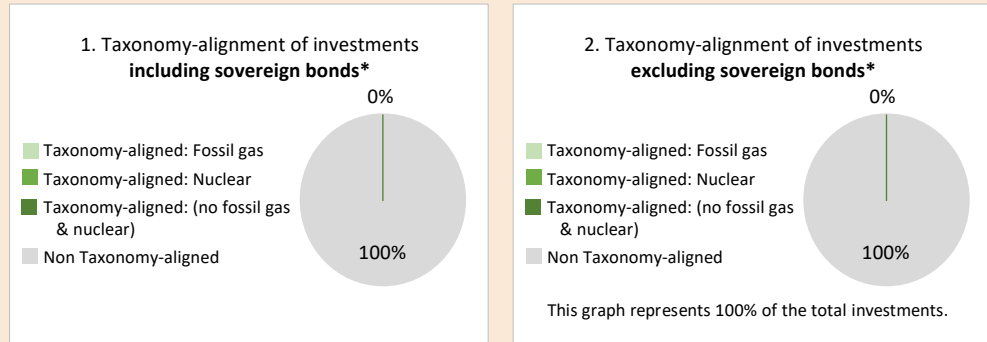
- Yes:
  - In fossil gas
  - In nuclear energy
- No

To comply with EU Taxonomy, the criteria for **fossil gas** include limitations on emission and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

**Transitional activities** are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

*The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.*



\* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures.

● **What is the minimum share of investments in transitional and enabling activities?**

Not applicable

**What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?**

Not applicable



are sustainable investments with an environmental objective that **do not take into account** the criteria for environmentally sustainable economic activities under the EU Taxonomy.



### What is the minimum share of socially sustainable investments?

Not applicable



### What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?

The Fund may make investments in hedging and/or cash instruments. These are included in the “#2 Other” category. These instruments are not subject to environmental and/or social screening or any minimum environmental or social safeguards.



### Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?

Not applicable

**Reference benchmarks** are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.



### Where can I find more product specific information online?

More product-specific information can be found on the website:

[https://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite\\_msinvf\\_europeanproperty\\_en.pdf](https://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite_msinvf_europeanproperty_en.pdf)

**Pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852**

**Product name:**

Global Brands Equity Income Fund

**Legal entity identifier:**

549300NOAL4YUQM4WM15

## Environmental and/or social characteristics

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**.

That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

### Does this financial product have a sustainable investment objective?

**Yes**

It will make a minimum of **sustainable investments with an environmental objective: \_\_\_%**

- in economic activities that qualify as environmentally sustainable under the EU Taxonomy
- in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

It will make a minimum of **sustainable investments with a social objective: \_\_\_%**

**No**

It **promotes Environmental/Social (E/S) characteristics** and while it does not have as its objective a sustainable investment, it will have a minimum proportion of 10 % of sustainable investments

- with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy
- with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy
- with a social objective

It promotes E/S characteristics, but **will not make any sustainable investments**



## What environmental and/or social characteristics are promoted by this financial product?

The Fund promotes the environmental characteristic of climate change mitigation by excluding investments in: (i) companies with any tie to fossil fuels; and (ii) companies in certain other energy intensive sectors. For the avoidance of any doubt, the Fund does not seek to make investments that contribute to climate change mitigation within the meaning of the EU Taxonomy.

In addition, the Fund considers social characteristics by applying binding exclusions on: (i) companies whose core business activity involves weapons or civilian firearms; and (ii) that have any tie to controversial weapons.

In addition, a proportion of the Fund's investments will be classified as sustainable investments through an assessment comprising three tests, which includes evaluating investee companies' (in respect of this Fund for the purpose of Appendix L each, a "Company", together the "Companies") net positive alignment with the UN Sustainable Development Goals ("SDGs").

The Fund has not designated a reference benchmark for the purpose of attaining its environmental or social characteristics.

Further details on the binding exclusions applied by the Fund may be found under section "What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?".

### ● *What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?*

#### 1. Environmental characteristics

Compliance with the environmental exclusionary screens is measured based on the exclusionary criteria and the percentage of the Fund's investments which breach the exclusionary screens.

#### 2. Social characteristics

Compliance with the social exclusionary screens is measured based on the exclusionary criteria and the percentage of the Fund's investments which breach the exclusionary screens.

#### 3. Sustainable investment

The Fund commits to invest a proportion of its assets in Companies classified as sustainable investments. The Fund classifies a Company as a sustainable investment using a framework based on three tests:

- i. **good governance:** this test seeks to ensure that all Companies are considered by the Investment Adviser to follow good governance practices to be included in the Fund's portfolio;
- ii. **do no significant harm ("DNSH"):** this test seeks to ensure that Companies classified as sustainable investments do not cause significant harm to any of the mandatory, SFDR-defined principal adverse impact ("PAI") indicators which are relevant to the Company. This test also seeks to ensure that Companies classified as sustainable investments are aligned with the minimum social safeguards including the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, including the principles and rights set out in the eight fundamental conventions identified in the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work and the International Bill of Human Rights; and

**Sustainability indicators** measure how the environmental or social characteristics promoted by the financial product are attained.



- iii. **positive contribution to environmental or social objective:** this test seeks to ensure that Companies classified as sustainable investments are classified based on their net positive alignment with the UN SDGs (which shall primarily be determined using alignment scores obtained from third party data providers).

Compliance with the sustainable investment commitment is measured by the percentage of the Fund's investments which pass all three tests. A minimum of 10% of the Fund's investments are expected to be invested in Companies classified as sustainable investments.

● ***What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?***

The positive contribution to environmental or social objective test applied by the Investment Adviser seeks to ensure that Companies classified as sustainable investments are classified based on their net positive alignment with the UN SDGs (which shall primarily be determined using alignment scores obtained from third party data providers). The UN SDGs include environmental (e.g. Climate Action or Life on Land) and social (e.g. Good Health and Well-Being) objectives. The third party data providers' alignment scores indicate whether companies in the providers' coverage universe have a net positive alignment across the UN SDGs, either through their products and services (e.g. a health care company's essential medical products may be positively aligned with the Good Health and Well-Being SDG), or through business practices such as policies, actions and targets aimed at aligning with one or more of the SDGs (e.g. a company with robust carbon reduction plans may align with the Climate Action SDG by reducing its own emissions, switching to renewable energy or by seeking emission reductions in its value chain by engaging with suppliers and/or through product design). More information on the UN SDGs can be found at:

<https://www.undp.org/sustainable-development-goals>. The Investment Adviser recognises that the UN SDGs were written by Governments for Governments and therefore data that seeks to align corporate actions to the SDGs will not be perfectly representative.

The Investment Adviser classifies a Company as having a positive contribution to an environmental or social objective as simultaneously meeting three criteria assessed using third-party data: 1) having a net positive aggregate alignment score across all the SDGs (i.e. scores measuring positive alignment with individual SDGs have to, in total, be greater than the total of any negative alignment scores in the Investment Adviser's view), 2) having sufficient positive alignment (in the Investment Adviser's view) with at least one individual SDG and 3) not having any material mis-alignments on any of the SDGs (in the Investment Adviser's view).

In limited cases, and where it is satisfied that it is appropriate to do so based on its internal analysis (having regard to its engagements with the company or other data sources), the Investment Adviser may treat a Company as failing or passing its sustainable investment criteria, contrary to the position indicated by the third-party SDG alignment score. The Investment Adviser may do this when, for example, it considers the third-party SDG alignment data to be out of date or incorrect based on the Investment Adviser's own engagement efforts or research.

● ***How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?***

The do no significant harm ("DNSH") test applied by the Investment Adviser seeks to ensure that Companies classified as sustainable investments do not cause significant harm to any of the mandatory, SFDR-defined principal adverse impact ("PAI") indicators which are relevant to the Company. This test also seeks to ensure that Companies classified as sustainable

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters,

investments are aligned with the minimum social safeguards including the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, including the principles and rights set out in the eight fundamental conventions identified in the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work and the International Bill of Human Rights.

– *How have the indicators for adverse impacts on sustainability factors been taken into account?*

The Fund gains data to assess the PAI indicators (listed below) from third-party providers as well as internal research. The Fund may use reasonable proxies for those PAIs for which the Investment Adviser considers that the data is not widely or reliably available (currently these are the ‘Unadjusted gender pay gap’, ‘Activities negatively affecting biodiversity sensitive areas’ and ‘Emissions to water’ indicators). These proxies will be kept under review and will be replaced by data from third-party data providers, when the Investment Adviser determines that sufficiently reliable data has become available.

PAI indicators:

**Investee companies**

1. GHG emissions
3. GHG intensity of investee companies
4. Exposure to companies active in the fossil sector
5. Share of non-renewable energy consumption and production
6. Energy consumption intensity per high impact climate sector
7. Activities negatively affecting biodiversity sensitive areas
8. Emissions to water
9. Hazardous waste ratio
10. Violations of UN Global Compact (“UNGC”) and OECD Guidelines for Multinational Enterprises
11. Lack of processes and compliance mechanisms to monitor compliance with the UNGC and OECD Guidelines for Multinational Enterprises
12. Unadjusted gender pay gap
13. Board gender diversity
14. Exposure to controversial weapons

To determine whether significant harm is caused, initial thresholds for each mandatory PAI indicator are generally set in two ways:

- for binary indicators (e.g. ‘Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises’), a binary pass/fail test is applied, based on the data;
- for indicators using quantifiable numerical data (e.g. ‘GHG intensity of investee companies’), the worst performers (based on their relative performance within the broader investable universe, which itself is limited to issuers for which data is available – subject to the exceptions noted below), are deemed to fail the initial test.

For both types of indicators, where data is not available, the investment is deemed to fail the initial test and cannot be regarded as a sustainable investment. However, in cases where the third-party data provider determines that a particular PAI indicator is not meaningful given the nature or the industry of the issuer, and therefore does not provide data on that PAI indicator, the investment is deemed to pass the initial test on the basis that the investment’s activities are unlikely to be causing significant harm to the environmental or social theme covered by that PAI indicator. For example, in the case of software companies with a limited physical presence, the expectation is that their activities are unlikely to have significant negative impacts on water quality, therefore the ‘emissions to water’ PAI is considered by the third-party provider to be not meaningful for that industry.

Instances in which the third-party data provider determines that a PAI indicator is not meaningful will be kept under periodic review by the Investment Adviser, in case the third-party data provider subsequently deems the PAI indicator meaningful for the issuer (in which case the Investment Adviser will re-assess the issuer against the relevant PAI indicator data).

Additionally, the outcome of the initial test may be supplemented (as appropriate) by the Investment Adviser's internal qualitative assessments on significant harm (having regard to other data sources and/or its engagements with the investment) on one or more PAIs. For example, where the Investment Adviser considers that an issuer is taking appropriate and credible remedial actions to rectify its failings on a PAI, the issuer may still be considered a sustainable investment, subject to the Internal Adviser's ongoing review and tracking of the issuers' remedial actions.

As part of its long-term investment approach, the Investment Adviser also seeks to engage with company management teams and boards to encourage companies towards better ESG practices and to minimise or mitigate the principal adverse impacts of their activities on a materiality basis (i.e. if the Investment Adviser considers a particular PAI indicator to be materially relevant to the long-term sustainability of high returns on capital).

– *How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:*

As part of the Investment Adviser's do no significant harm ("DNSH") test, Companies will not be classified as sustainable investments if they fail to comply with the themes and values promoted by the OECD Guidelines for Multinational Enterprises or the UN Global Compact, or if they lack processes and compliance mechanisms to monitor compliance with the themes and value promoted by these global norms.

In each case, this assessment is based on information obtained from third-party data provider and/or internal assessments.

The Investment Adviser use the OECD Guidelines for Multinational Enterprises and the UN Global Compact as reasonable proxies.

*The EU Taxonomy sets out a "do not significant harm" principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.*

*The "do no significant harm" principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.*

*Any other sustainable investments must also not significantly harm any environmental or social objectives.*

Regulation requires that this document include these statements. However, for the avoidance of doubt, this Fund does not: (i) take into account the EU criteria for environmentally sustainable economic activities in the EU Taxonomy; or (ii) calculate its portfolio alignment with the EU Taxonomy. As such, the Fund is 0% aligned with the EU Taxonomy. The "do no significant harm" principle applies only to the portion of the Fund's investments that are sustainable investments.



**Does this financial product consider principal adverse impacts on sustainability factors?**

Yes

No

All the mandatory PAI indicators in the SFDR rules relevant to the Company are considered by the Investment Adviser (in the manner set out above) for the purposes of classifying some of the Fund's investments as sustainable investments.

PAIs are also considered with respect to the other investments of the Fund in the following manner:

- the environmental and social characteristics promoted by the Fund incorporate consideration of the following PAIs through binding exclusions:
  - PAI indicator 4: exposure to companies active in the fossil fuel sector;
  - PAI indicator 14: exposure to controversial weapons (using third-party data with a methodology that complies with the Sustainable Finance Disclosure Regulation (“SFDR”) definition);
- engagement and stewardship with issuers across all relevant mandatory PAI indicators in the SFDR rules (except on controversial weapons as they are excluded) on a materiality basis (i.e., if the Investment Adviser considers a particular PAI indicator to be materially relevant to the long-term sustainability of high returns on capital).

The Fund will report on the above matters in the Fund's periodic report.



**The investment strategy** guides investment decisions based on factors such as investment objectives and risk tolerance.

## What investment strategy does this financial product follow?

The Fund will seek to achieve its investment objective by investing primarily in high quality steady dividend yield distributing equity securities of issuers located in the world's developed markets. The Fund will invest in a concentrated portfolio of companies whose success the Fund believes depends on intangible assets (for example, but not limited to, brand names, copyrights or methods of distribution) underpinning a strong business franchise.

The Fund may, on an ancillary basis, invest in equity securities of issuers located in emerging markets, including China A-Shares via Stock Connect, and in preference shares, debt securities convertible into common shares or preference shares, warrants on securities and other equity linked securities to gain exposure to issuers located in developed and emerging markets.

The Fund will enter into financial derivative instruments with Morgan Stanley & Co. International Plc to enhance the level of income earned. This strategy is expected to include taking exposure via one or more swaps to options on equity indices.

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 assesses relevant factors material to long-term sustainably high returns on operating capital including ESG factors and seeks to engage with company management teams as part of this.

Subject to the Fund's investment objective and its binding Article 8 characteristics (as explained above), the Investment Adviser retains discretion over which investments are selected for inclusion in the Fund.

The Fund is actively managed by the Investment Adviser on an ongoing basis in accordance with its investment strategy. The investment process is subject to regular review, as part of a control and monitoring framework implemented by the Investment Adviser and the Management Company. The Investment Adviser's Compliance, Risk and Portfolio Surveillance teams collaborate with the portfolio management team in respect of this Fund to conduct regular portfolio/performance reviews and systemic checks to ensure compliance with portfolio investment objectives, investment and client guidelines, taking into account changing market conditions, information and strategy developments.

The environmental and social characteristics promoted by the Fund are incorporated within the investment guidelines and subject to ongoing monitoring by the Investment Adviser. Morgan Stanley Investment Management's Portfolio Surveillance team also codes the investment guidelines into the firm's surveillance system. The Portfolio Surveillance team uses an automated process to monitor adherence to investment guidelines, including pre- and post-trade guideline monitoring and exception-based screening, and informs the portfolio management team in respect of this Fund of any possible guideline violations.

### ● **What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?**

#### 1. **Environmental characteristics**

The Fund promotes the environmental characteristic of climate change mitigation by excluding investments in any company that the Investment Adviser determines:

- to have any tie to fossil fuels (such as oil, gas and coal) as classified by the MSCI ESG Business Involvement Screening Research database ("MSCI ESG BISR");
- or any company that has been assigned the following sectors or industries under the MSCI Global Industry Classification Standards ("MSCI GICS"): energy, construction materials, utilities (excluding renewable electricity and water utilities), or metals and mining.

#### 2. **Social characteristics**

The Fund considers social characteristics by applying the following binding screens:

- the Fund's investments shall not knowingly include any company whose core business activity involves the following, as classified by the MSCI ESG BISR database:
  - a. civilian firearms; or
  - b. weapons.
- the Fund shall also not invest in any company that is defined by the MSCI ESG BISR database to have any tie to controversial weapons.

Investments that are held by the Fund but become restricted because they breach the exclusionary criteria set out 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 details of the above exclusions can be found in the Fund's exclusion policy which is available on the website:

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

3. 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). **Sustainable investments**

As noted above, the Fund also commits to invest a proportion of its assets in Companies classified as sustainable investments.

**Good governance** practices include sound management structures, employee relations, remuneration of staff and tax compliance.

- ***What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?***

Not applicable. No minimum reduction rate has been defined in relation to the Fund's scope of investments.

- ***What is the policy to assess good governance practices of the investee companies?***

All Companies within the Fund are assessed on their governance, and the investment process is focussed on identifying high quality companies that can sustain their high returns on operating capital over the long term, both for the Fund's sustainable investments and for other investments which are aligned with the Fund's environmental or social characteristics. Effective governance is important and governance criteria are therefore embedded within the investment process and considered as part of initial research and portfolio selection. On-going monitoring is facilitated through engagement with the Company as well as by using, where appropriate, company data, third party data and governance related controversy screens. An investment has to be considered by the Investment Adviser to have good governance to be included within the portfolio.

In addition to meet the EU SFDR regulatory requirements, the Investment Adviser also has regard to third-party proxy indicators as considerations to assess four specific aspects of governance: sound management structures, employee relations, remuneration of staff and tax compliance. All companies in the Fund are assessed against these indicators. The Investment Adviser may include issuers that fail on one or more of these proxy indicators where (i) it considers that the third-party data is inaccurate or out of date; or (ii) it considers that, upon review, the issuer is exhibiting good governance practices overall (such that the results of the proxy indicator tests do not in fact indicate a material impact on good governance). In reaching this determination, the Investment Adviser may take into account any remedial actions being undertaken by the company.

The Investment Adviser also engages with companies on issues material to the sustainability of company returns on operating capital. Direct engagement with companies and boards on material ESG risks and opportunities, and other issues, plays a role in informing the Investment

Adviser on the soundness of company management and whether it can maintain high returns on operating capital while growing the business over the long term. Dialogue with companies on engagement topics can be prolonged and require multiple engagements.

The Investment Adviser does not apply the policy to assess good governance to companies included in equity indices, to which the Fund gains exposure through swaps to options.



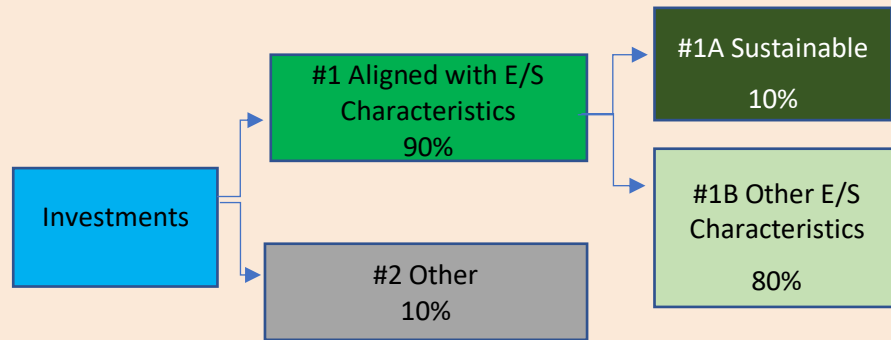
### Asset allocation

describes the share of investments in specific assets.

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.

## What is the asset allocation planned for this financial product?



**#1 Aligned with E/S characteristics** includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

**#2 Other** includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

The category **#1 Aligned with E/S characteristics** covers:

- The sub-category **#1A Sustainable** covers sustainable investments with environmental or social objectives.
- The sub-category **#1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.

The environmental and social exclusions are expected to apply to at least 90% of the portfolio. The Investment Adviser anticipates that the remainder of the Fund will be made up of investments held for ancillary liquidity, including cash and money market instruments, as well as profits or losses through one or more swaps to options (the amount of which is estimated based on average allocation since the Fund's inception; this amount on any single day may vary). This proportion is not expected to comprise more than 10% of the Fund's assets. No minimum environmental or social safeguards are applied to such investments.

Under exceptional circumstances, the percentage of the Fund's assets that are made up of investments held for ancillary liquidity may temporarily fluctuate above the stated level for certain reasons including but not limited to market conditions or client inflows/outflows.

The Fund also expects a minimum of 10% of its assets to be classified as sustainable investments. Among these, the Fund expects a minimum of 1% of its assets to be classified as sustainable investments with an environmental objective and 1% as sustainable investments with a social objective which can both vary independently at any time.

All percentages are measured according to the value of the investments.

- **How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?**

Not applicable – the Fund does not use derivatives to attain its environmental or social characteristics.



## To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?



Not applicable – the Investment Adviser does not take account of the EU Taxonomy in its management of the Fund and as such the Fund’s sustainable investments do not take into account the criteria for environmentally sustainable economic activities under the EU Taxonomy.

To comply with EU Taxonomy, the criteria for **fossil gas** include limitations on emission and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

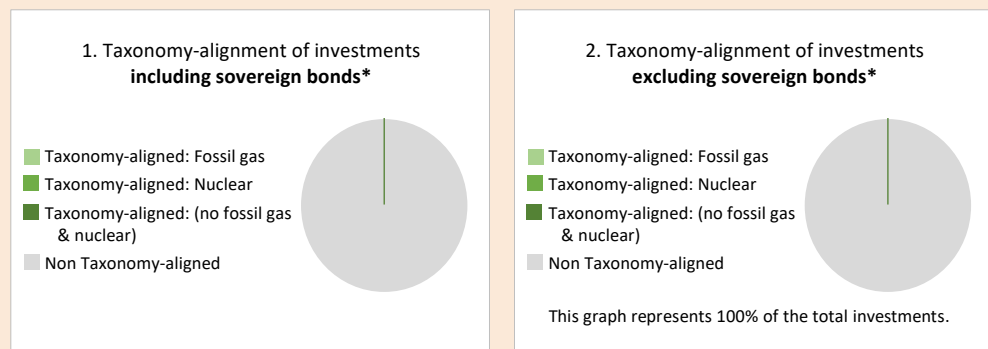
**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

**Transitional activities** are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

● **Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy<sup>1</sup>?**

- Yes:  
 In fossil gas     In nuclear energy  
 No

*The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.*



\* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures.

● **What is the minimum share of investments in transitional and enabling activities?**

Not applicable – Although the Fund commits to invest in sustainable investments within the meaning of the SFDR, there is no commitment to a minimum share of investments in transitional and enabling activities.

<sup>1</sup> Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objective – see explanatory note in the left-hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.



### What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?



are sustainable investments with an environmental objective that **do not take into account** the criteria for environmentally sustainable economic activities under the EU Taxonomy.

A minimum of 10% of the Fund's assets are expected to be classified as sustainable investments, as defined under the SFDR. Among these, the Fund expects a minimum of 1% of its assets to be classified as sustainable investments with an environmental objective and 1% as sustainable investments with a social objective which can both vary independently at any time.

The Fund's assets that are classified as sustainable investments with an environmental objective do not take into account the criteria for environmentally sustainable economic activities under the EU Taxonomy. The EU Taxonomy does not comprehensively cover all industries and sectors, or even all environmental objectives. This financial product invests in Companies classified as sustainable investments within sectors that may not be covered by the EU Taxonomy currently. Accordingly, the Investment Adviser uses its own methodology to determine whether certain investments are environmentally sustainable in accordance with the SFDR sustainable investment test, and then the Investment Adviser invests part of the Fund in such assets.



### What is the minimum share of socially sustainable investments?

As noted above, a minimum of 10% of the Fund's assets are expected to be classified as sustainable investments. Among these, the Fund expects a minimum of 1% of its assets to be classified as sustainable investments with an environmental objective and 1% as sustainable investments with a social objective which can both vary independently at any time.



### What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?

This Fund holds cash and money market instruments for ancillary liquidity. These are included in the “#2 Other” category. No minimum environmental or social safeguards are applied to such investments.



### Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?

Not applicable

**Reference benchmarks** are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.



### Where can I find more product specific information online?

More product-specific information can be found on the website:

[https://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite\\_msinvf\\_globalbrandsequityincome\\_en.pdf](https://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite_msinvf_globalbrandsequityincome_en.pdf)

**Pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852**

**Product name:**  
Global Brands Fund

**Legal entity identifier:**  
ZGTXPGVP03JQIVJJ255

## Environmental and/or social characteristics

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**.

That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

Does this financial product have a sustainable investment objective?	
<input checked="" type="radio"/> <input type="radio"/> <input type="checkbox"/> <b>Yes</b>	<input type="radio"/> <input checked="" type="radio"/> <input checked="" type="checkbox"/> <b>No</b>
<input type="checkbox"/> It will make a minimum of <b>sustainable investments with an environmental objective: ___%</b> <ul style="list-style-type: none"> <li><input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> </ul> <input type="checkbox"/> It will make a minimum of <b>sustainable investments with a social objective: ___%</b>	<input checked="" type="checkbox"/> It <b>promotes Environmental/Social (E/S) characteristics</b> and while it does not have as its objective a sustainable investment, it will have a minimum proportion of <u>10</u> % of sustainable investments <ul style="list-style-type: none"> <li><input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input checked="" type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> <li><input checked="" type="checkbox"/> with a social objective</li> </ul> <input type="checkbox"/> It promotes E/S characteristics, but <b>will not make any sustainable investments</b>



## What environmental and/or social characteristics are promoted by this financial product?

The Fund promotes the environmental characteristic of climate change mitigation by excluding investments in: (i) companies with any tie to fossil fuels; and (ii) companies in certain other energy intensive sectors. For the avoidance of any doubt, the Fund does not seek to make investments that contribute to climate change mitigation within the meaning of the EU Taxonomy.

In addition, the Fund considers social characteristics by applying binding exclusions on: (i) companies whose core business activity involves weapons or civilian firearms; and (ii) that have any tie to controversial weapons.

In addition, a proportion of the Fund's investments will be classified as sustainable investments through an assessment comprising three tests, which includes evaluating investee companies' (in respect of this Fund for the purpose of Appendix L each, a "Company", together the "Companies") net a positive alignment with the UN Sustainable Development Goals ("SDGs").

The Fund has not designated a reference benchmark for the purpose of attaining its environmental or social characteristics.

Further details on the binding exclusions applied by the Fund may be found under section "What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?".

### ● *What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?*

#### 1. Environmental characteristics

Compliance with the environmental exclusionary screens is measured based on the exclusionary criteria and the percentage of the Fund's investments which breach the exclusionary screens.

#### 2. Social characteristics

Compliance with the social exclusionary screens is measured based on the exclusionary criteria and the percentage of the Fund's investments which breach the exclusionary screens.

#### 3. Sustainable investment

The Fund commits to invest a proportion of its assets in Companies classified as sustainable investments. The Fund classifies a Company as a sustainable investment using a framework based on three tests:

- i. **good governance:** this test seeks to ensure that all Companies are considered by the Investment Adviser to follow good governance practices to be included in the Fund's portfolio;
- ii. **do no significant harm ("DNSH"):** this test seeks to ensure that Companies classified as sustainable investments do not cause significant harm to any of the mandatory, SFDR-defined principal adverse impact ("PAI") indicators which are relevant to the Company. This test also seeks to ensure that Companies classified as sustainable investments are aligned with the minimum social safeguards including the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, including the principles and rights set out in the eight fundamental

**Sustainability indicators** measure how the environmental or social characteristics promoted by the financial product are attained.

conventions identified in the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work and the International Bill of Human Rights; and

- iii. **positive contribution to environmental or social objective:** this test seeks to ensure that Companies classified as sustainable investments are classified based on their net positive alignment with the UN SDGs (which shall primarily be determined using alignment scores obtained from third party data providers).

Compliance with the sustainable investment commitment is measured by the percentage of the Fund's investments which pass all three tests. A minimum of 10% of the Fund's investments are expected to be invested in Companies classified as sustainable investments.

● ***What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?***

The positive contribution to environmental or social objective test applied by the Investment Adviser seeks to ensure that Companies classified as sustainable investments are classified based on their net positive alignment with the UN SDGs (which shall primarily be determined using alignment scores obtained from third party data providers). The UN SDGs include environmental (e.g. Climate Action or Life on Land) and social (e.g. Good Health and Well-Being) objectives. The third party data providers' alignment scores indicate whether companies in the providers' coverage universe have a net positive alignment across the UN SDGs, either through their products and services (e.g. a health care company's essential medical products may be positively aligned with the Good Health and Well-Being SDG), or through business practices such as policies, actions and targets aimed at aligning with one or more of the SDGs (e.g. a company with robust carbon reduction plans may align with the Climate Action SDG by reducing its own emissions, switching to renewable energy or by seeking emission reductions in its value chain by engaging with suppliers and/or through product design). More information on the UN SDGs can be found at:

<https://www.undp.org/sustainable-development-goals>. The Investment Adviser recognises that the UN SDGs were written by Governments for Governments and therefore data that seeks to align corporate actions to the SDGs will not be perfectly representative.

The Investment Adviser classifies a Company as having a positive contribution to an environmental or social objective as simultaneously meeting three criteria assessed using third-party data: 1) having a net positive aggregate alignment score across all the SDGs (i.e. scores measuring positive alignment with individual SDGs have to, in total, be greater than the total of any negative alignment scores in the Investment Adviser's view), 2) having sufficient positive alignment (in the Investment Adviser's view) with at least one individual SDG and 3) not having any material mis-alignments on any of the SDGs (in the Investment Adviser's view).

In limited cases, and where it is satisfied that it is appropriate to do so based on its internal analysis (having regard to its engagements with the company or other data sources), the Investment Adviser may treat an investment as failing or passing its sustainable investment criteria, contrary to the position indicated by the third-party SDG alignment score. The Investment Adviser may do this when, for example, it considers the third-party SDG alignment data to be out of date or incorrect based on the Investment Adviser's own engagement efforts or research.

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

● ***How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?***

The do no significant harm (“DNSH”) test applied by the Investment Adviser seeks to ensure that Companies classified as sustainable investments do not cause significant harm to any of the mandatory, SFDR-defined principal adverse impact (“PAI”) indicators which are relevant to the Company. This test also seeks to ensure that Companies classified as sustainable investments are aligned with the minimum social safeguards including the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, including the principles and rights set out in the eight fundamental conventions identified in the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work and the International Bill of Human Rights.

– ***How have the indicators for adverse impacts on sustainability factors been taken into account?***

The Fund gains data to assess the PAI indicators (listed below) from third-party providers as well as internal research. The Fund may use reasonable proxies for those PAIs for which the Investment Adviser considers that the data is not widely or reliably available (currently these are the ‘Unadjusted gender pay gap’, ‘Activities negatively affecting biodiversity sensitive areas’ and ‘Emissions to water’ indicators). These proxies will be kept under review and will be replaced by data from third-party data providers, when the Investment Adviser determines that sufficiently reliable data has become available.

PAI indicators:

**Investee companies**

1. GHG emissions
3. GHG intensity of investee companies
4. Exposure to companies active in the fossil sector
5. Share of non-renewable energy consumption and production
6. Energy consumption intensity per high impact climate sector
7. Activities negatively affecting biodiversity sensitive areas
8. Emissions to water
9. Hazardous waste ratio
10. Violations of UN Global Compact (“UNGC”) and OECD Guidelines for Multinational Enterprises
11. Lack of processes and compliance mechanisms to monitor compliance with the UNGC and OECD Guidelines for Multinational Enterprises
12. Unadjusted gender pay gap
13. Board gender diversity
14. Exposure to controversial weapons

To determine whether significant harm is caused, initial thresholds for each mandatory PAI indicator are generally set in two ways:

- for binary indicators (e.g. ‘Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises’), a binary pass/fail test is applied, based on the data;
- for indicators using quantifiable numerical data (e.g. ‘GHG intensity of investee companies’), the worst performers (based on their relative performance within the broader investable universe, which itself is limited to issuers for which data is available – subject to the exceptions noted below), are deemed to fail the initial test.

For both types of indicators, where data is not available, the investment is deemed to fail the initial test and cannot be regarded as a sustainable investment. However, in cases where the third-party data provider determines that a particular PAI indicator is not meaningful given the nature or the industry of the issuer, and therefore does not provide data on that PAI indicator, the investment is deemed to pass the initial test on the basis

that the investment's activities are unlikely to be causing significant harm to the environmental or social theme covered by that PAI indicator. For example, in the case of software companies with a limited physical presence, the expectation is that their activities are unlikely to have significant negative impacts on water quality, therefore the 'emissions to water' PAI is considered by the third-party provider to be not meaningful for that industry.

Instances in which the third-party data provider determines that a PAI indicator is not meaningful will be kept under periodic review by the Investment Adviser, in case the third-party data provider subsequently deems the PAI indicator meaningful for the issuer (in which case the Investment Adviser will re-assess the issuer against the relevant PAI indicator data).

Additionally, the outcome of the initial test may be supplemented (as appropriate) by the Investment Adviser's internal qualitative assessments on significant harm (having regard to other data sources and/or its engagements with the investment) on one or more PAIs. For example, where the Investment Adviser considers that an issuer is taking appropriate and credible remedial actions to rectify its failings on a PAI, the issuer may still be considered a sustainable investment, subject to the Internal Adviser's ongoing review and tracking of the issuers' remedial actions.

As part of its long-term investment approach, the Investment Adviser also seeks to engage with company management teams and boards to encourage companies towards better ESG practices and to minimise or mitigate the principal adverse impacts of their activities on a materiality basis (i.e. if the Investment Adviser considers a particular PAI indicator to be materially relevant to the long-term sustainability of high returns on capital).

– *How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:*

As part of the Investment Adviser's do no significant harm ("DNSH") test, Companies will not be classified as sustainable investments if they fail to comply with the themes and values promoted by the OECD Guidelines for Multinational Enterprises or the UN Global Compact, or if they lack processes and compliance mechanisms to monitor compliance with the themes and values promoted by these global norms.

In each case, this assessment is based on information obtained from third-party data providers and/or internal assessments.

The Investment Adviser use the OECD Guidelines for Multinational Enterprises and the UN Global Compact as reasonable proxies.



*The EU Taxonomy sets out a “do not significant harm” principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.*

*The “do no significant harm” principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.*

*Any other sustainable investments must also not significantly harm any environmental or social objectives.*

*Regulation requires that this document include these statements. However, for the avoidance of doubt, this Fund does not: (i) take into account the EU criteria for environmentally sustainable economic activities in the EU Taxonomy; or (ii) calculate its portfolio alignment with the EU Taxonomy. As such, the Fund is 0% aligned with the EU Taxonomy. The “do no significant harm” principle applies only to the portion of the Fund’s investments that are sustainable investments.*



### Does this financial product consider principal adverse impacts on sustainability factors?

Yes

No

All the mandatory PAI indicators in the SFDR rules relevant to the Company are considered by the Investment Adviser (in the manner set out above) for the purposes of classifying some of the Fund’s investments as sustainable investments.

PAIs are also considered with respect to the other investments of the Fund in the following manner:

- the environmental and social characteristics promoted by the Fund incorporate consideration of the following PAIs through binding exclusions:
  - PAI indicator 4: exposure to companies active in the fossil fuel sector;
  - PAI indicator 14: exposure to controversial weapons (using third-party data with a methodology that complies with the Sustainable Finance Disclosure Regulation (“SFDR”) definition);
- engagement and stewardship with issuers across all relevant mandatory PAI indicators in the SFDR rules (except on controversial weapons as they are excluded) on a materiality basis (i.e., if the Investment Adviser considers a particular PAI indicator to be materially relevant to the long-term sustainability of high returns on capital).

The Fund will report on the above matters in the Fund’s periodic report.



**The investment strategy** guides investment decisions based on factors such as investment objectives and risk tolerance.

## What investment strategy does this financial product follow?

The Fund will seek to achieve its investment objective by investing primarily in equity securities of companies in the world's developed countries. The Fund will invest in a concentrated portfolio of companies whose success the Fund believes depends on intangible assets (for example, but not limited to, brand names, copyrights or methods of distribution) underpinning a strong business franchise.

The Fund may also invest, on an ancillary basis in preference shares, debt securities convertible into common shares or preference shares, warrants on securities and other equity linked securities to gain exposure to companies in developed and emerging markets, as well as equity securities of emerging market companies and China A-Shares via Stock Connect.

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 assesses relevant factors material to long-term sustainably high returns on operating capital including ESG factors and seeks to engage with company management teams as part of this.

Subject to the Fund's investment objective and its binding Article 8 characteristics (as explained above), the Investment Adviser retains discretion over which investments are selected for inclusion in the Fund.

The Fund is actively managed by the Investment Adviser on an ongoing basis in accordance with its investment strategy. The investment process is subject to regular review, as part of a control and monitoring framework implemented by the Investment Adviser and the Management Company. The Investment Adviser's Compliance, Risk and Portfolio Surveillance teams collaborate with the portfolio management team of this Fund to conduct regular portfolio/performance reviews and systemic checks to ensure compliance with portfolio investment objectives, investment and client guidelines, taking into account changing market conditions, information and strategy developments.

The environmental and social characteristics promoted by the Fund are incorporated within the investment guidelines and subject to ongoing monitoring by the Investment Adviser. Morgan Stanley Investment Management's Portfolio Surveillance team also codes the investment guidelines into the firm's surveillance system. The Portfolio Surveillance team uses an automated process to monitor adherence to investment guidelines, including pre- and post-trade guideline monitoring and exception-based screening, and informs the portfolio management team of this Fund of any possible guideline violations.

### ● **What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?**

#### 1. Environmental characteristics

The Fund promotes the environmental characteristic of climate change mitigation by excluding investments in any company that the Investment Adviser determines:

- to have any tie to fossil fuels (such as oil, gas and coal) as classified by the MSCI ESG Business Involvement Screening Research database ("MSCI ESG BISR");
- or any company that has been assigned the following sectors or industries under the MSCI Global Industry Classification Standards ("MSCI GICS"): energy, construction materials, utilities (excluding renewable electricity and water utilities), or metals and mining.

#### 2. Social characteristics

The Fund considers social characteristics by applying the following binding screens:

- the Fund's investments shall not knowingly include any company whose core business activity involves the following, as classified by the MSCI ESG BISR database:
  - a. civilian firearms; or
  - b. weapons.

- the Fund shall also not invest in any company that is defined by the MSCI ESG BISR database to have any tie to controversial weapons.

Investments that are held by the Fund but become restricted because they breach the exclusionary criteria set out 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 details of the above exclusions can be found in the Fund's exclusion policy which is available on the website ([www.morganstanleyinvestmentfunds.com](http://www.morganstanleyinvestmentfunds.com) and on [www.morganstanley.com/im](http://www.morganstanley.com/im)).

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).

### 3. Sustainable investments

As noted above, the Fund also commits to invest a proportion of its assets in Companies classified as sustainable investments.

**Good governance** practices include sound management structures, employee relations, remuneration of staff and tax compliance.

● ***What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?***

Not applicable. No minimum reduction rate has been defined in relation to the Fund's scope of investments.

● ***What is the policy to assess good governance practices of the investee companies?***

All Companies are assessed on their governance, and the investment process is focussed on identifying high quality companies that can sustain their high returns on operating capital over the long term, both for the Fund's sustainable investments and for other investments which are aligned with the Fund's environmental or social characteristics. Effective governance is important and governance criteria are therefore embedded within the investment process and considered as part of initial research and portfolio selection. On-going monitoring is facilitated through engagement with the Company as well as by using, where appropriate, company data, third party data and governance related controversy screens. An investment has to be considered by the Investment Adviser to have good governance to be included within the portfolio.

In addition to meet the EU SFDR regulatory requirements, the Investment Adviser also has regard to third-party proxy indicators as considerations to assess four specific aspects of governance: sound management structures, employee relations, remuneration of staff and tax compliance. All companies in the Fund are assessed against these indicators. The Investment Adviser may include issuers that fail on one or more of these proxy indicators where (i) it considers that the third-party data is inaccurate or out of date; or (ii) it considers that, upon review, the issuer is exhibiting good governance practices overall (such that the results of the proxy indicator tests do not in fact indicate a material impact on good governance). In reaching this determination, the Investment Adviser may take into account any remedial actions being undertaken by the company.

The Investment Adviser also engages with companies on issues material to the sustainability of company returns on operating capital. Direct engagement with companies and boards on material ESG risks and opportunities, and other issues, plays a role in informing the Investment Adviser on the soundness of company management and whether it can maintain high returns on operating capital while growing the business over the long term. Dialogue with companies on engagement topics can be prolonged and require multiple engagements.



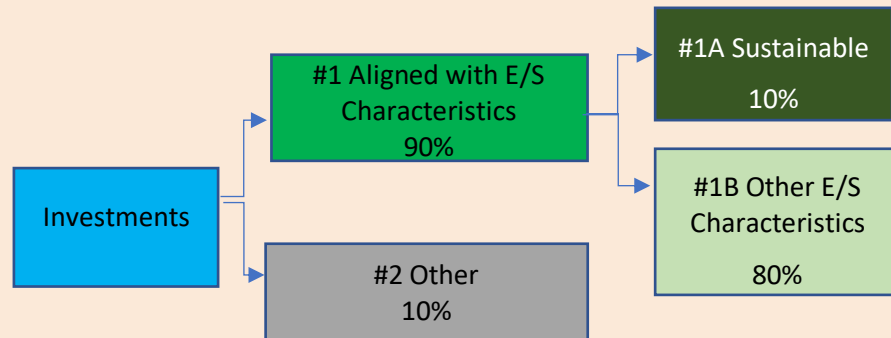
### Asset allocation

describes the share of investments in specific assets.

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.

## What is the asset allocation planned for this financial product?



**#1 Aligned with E/S characteristics** includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

**#2 Other** includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

The category **#1 Aligned with E/S characteristics** covers:

- The sub-category **#1A Sustainable** covers sustainable investments with environmental or social objectives.
- The sub-category **#1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.

The environmental and social exclusions are expected to apply to at least 90% of the portfolio. The Investment Adviser anticipates that the remainder of the Fund will be made up of investments held for ancillary liquidity, including cash and money market instruments, with this proportion not expected to comprise more than 10% of the Fund's assets. No minimum environmental or social safeguards are applied to such investments.

Under exceptional circumstances, the percentage of the Fund's assets that are made up of investments held for ancillary liquidity may temporarily fluctuate above the stated level for certain reasons including but not limited to market conditions or client inflows/outflows.

The Fund also expects a minimum of 10% of its assets to be classified as sustainable investments. Among these, the Fund expects a minimum of 1% of its assets to be classified as sustainable investments with an environmental objective and 1% as sustainable investments with a social objective which can both vary independently at any time.

All percentages are measured according to the value of the investments.

### ● **How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?**

Not applicable – the Fund does not use derivatives to attain its environmental or social characteristics.



## To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

Not applicable – the Investment Adviser does not take account of the EU Taxonomy in its management of the Fund and as such the Fund’s sustainable investments do not take into account the criteria for environmentally sustainable economic activities under the EU Taxonomy.

● **Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy<sup>1</sup>?**

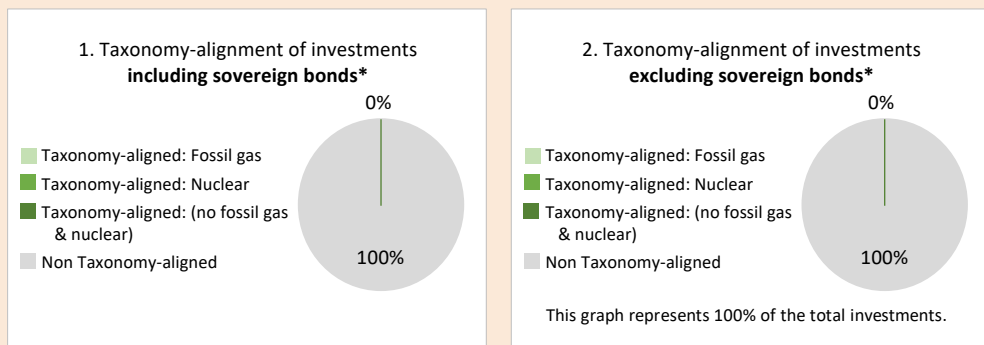
- Yes:  
 In fossil gas     In nuclear energy  
 No

To comply with EU Taxonomy, the criteria for **fossil gas** include limitations on emission and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

**Transitional activities** are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

*The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.*



\* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures.

● **What is the minimum share of investments in transitional and enabling activities?**

Not applicable – Although the Fund commits to invest in sustainable investments within the meaning of the SFDR, there is no commitment to a minimum share of investments in transitional and enabling activities.

<sup>1</sup> Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objective – see explanatory note in the left-hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.



### What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?



are sustainable investments with an environmental objective that **do not take into account** the criteria for environmentally sustainable economic activities under the EU Taxonomy.

A minimum of 10% of the Fund's assets are expected to be classified as sustainable investments, as defined under the SFDR. Among these, the Fund expects a minimum of 1% of its assets to be classified as sustainable investments with an environmental objective and 1% as sustainable investments with a social objective which can both vary independently at any time.

The Fund's assets that are classified as sustainable investments with an environmental objective do not take into account the criteria for environmentally sustainable economic activities under the EU Taxonomy. The EU Taxonomy does not comprehensively cover all industries and sectors, or even all environmental objectives. This financial product invests in Companies classified as sustainable investments within sectors that may not be covered by the EU Taxonomy currently. Accordingly, the Investment Adviser uses its own methodology to determine whether certain investments are environmentally sustainable in accordance with the SFDR sustainable investment test, and then the Investment Adviser invests part of the Fund in such assets.



### What is the minimum share of socially sustainable investments?

As noted above, a minimum of 10% of the Fund's assets are expected to be classified as sustainable investments. Among these, the Fund expects a minimum of 1% of its assets to be classified as sustainable investments with an environmental objective and 1% as sustainable investments with a social objective which can both vary independently at any time.



### What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?

This Fund holds cash and money market instruments for ancillary liquidity. These are included in the “#2 Other” category. No minimum environmental or social safeguards are applied to such investments.



### Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?

Not applicable

**Reference benchmarks** are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.



### Where can I find more product specific information online?

More product-specific information can be found on the website:

[https://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite\\_msinvf\\_globalbrands\\_en.pdf](https://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite_msinvf_globalbrands_en.pdf)

**Pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852**

**Product name:**  
Global Endurance Fund

**Legal entity identifier:**  
549300M2W4IZFV5OHT61

## Environmental and/or social characteristics

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**.

That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

**Does this financial product have a sustainable investment objective?**

<p><input checked="" type="radio"/> <input type="radio"/> <b>Yes</b></p> <p><input type="checkbox"/> It will make a minimum of <b>sustainable investments with an environmental objective: ___%</b></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> </ul> <p><input type="checkbox"/> It will make a minimum of <b>sustainable investments with a social objective: ___%</b></p>	<p><input type="radio"/> <input checked="" type="radio"/> <b>No</b></p> <p><input type="checkbox"/> It <b>promotes Environmental/Social (E/S) characteristics</b> and while it does not have as its objective a sustainable investment, it will have a minimum proportion of ___% of sustainable investments</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> with a social objective</li> </ul> <p><input checked="" type="checkbox"/> It promotes E/S characteristics, but <b>will not make any sustainable investments</b></p>
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## What environmental and/or social characteristics are promoted by this financial product?

The Fund promotes the following environmental and social characteristics:

- the Fund promotes the environmental characteristic of limiting environmental externalities by excluding investments in thermal coal; and
- the Fund promotes the social characteristic of avoiding investments in certain activities which can cause harm to human health and wellbeing, including tobacco and certain weapons, comprising civilian firearms, cluster munitions and anti-personnel mines.

These exclusions are implemented in line with the Fund's Restriction Screening Policy, which can be found on [www.morganstanley.com/im](http://www.morganstanley.com/im) at [https://www.morganstanley.com/im/publication/msinvf/material/rsp\\_msinvf\\_counterpointglobal\\_en.pdf](https://www.morganstanley.com/im/publication/msinvf/material/rsp_msinvf_counterpointglobal_en.pdf)

Further detail on the nature of these exclusions is set out below (in response to the question "What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?").

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Fund.

**Sustainability indicators** measure how the environmental or social characteristics promoted by the financial product are attained.

- **What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?**

The sustainability indicator is the percentage of companies in the Fund which breach the exclusionary screens. The sustainability indicator will therefore be that 0% of the Fund's investments are in violation of the Fund's Restriction Screening Policy.

Compliance with the exclusions is monitored on an ongoing basis through an automated process, comprising pre- and post-trade guideline monitoring and exception-based screening.

- **What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?**

Not applicable

- **How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?**

Not applicable

- **How have the indicators for adverse impacts on sustainability factors been taken into account?**

Not applicable

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.



- How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:

Not applicable

*The EU Taxonomy sets out a “do not significant harm” principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.*

*The “do no significant harm” principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.*

*Any other sustainable investments must also not significantly harm any environmental or social objectives.*

*Regulation requires that this document include these statements. However, for the avoidance of doubt, this Fund does not: (i) take into account the EU criteria for environmentally sustainable economic activities in the EU Taxonomy; or (ii) calculate its portfolio alignment with the EU Taxonomy. As such, the Fund is 0% aligned with the EU Taxonomy. The “do no significant harm” principle applies only to the portion of the Fund’s investments that are sustainable investments.*



### Does this financial product consider principal adverse impacts on sustainability factors?

Yes

No

The Fund considers principal adverse impacts (“PAI”) on sustainability factors only in part, as follows:

The Fund excludes issuers which receive a certain percentage of their revenue from thermal coal mining and extraction. The Fund therefore partly considers the PAI indicator (4) exposure to companies active in the fossil fuel sector.

The Fund excludes issuers which are involved in manufacturing the core weapon system of cluster munitions and anti-personnel mines. The Fund therefore partly considers the PAI indicator (14) exposure to controversial weapons.

Where the Investment Adviser considers the following PAI indicators to be materially relevant to, or impacted by, the activities of the issuer, it will also consider the following PAIs on sustainability factors. This will be done by the Investment Adviser (a) integrating ESG analysis within the research process and/or (b) engaging with management of investee companies. The PAIs considered are the following:

PAI indicator (1): Greenhouse gas emissions (GHG).

PAI indicator (3): GHG intensity.

PAI indicator (5): Non-Renewable energy consumption and production; and

PAI indicator (6): Energy consumption intensity per high impact climate sector.

As a result, the Fund contributes to mitigating the Fund’s adverse impacts on these sustainability factors.



**The investment strategy** guides investment decisions based on factors such as investment objectives and risk tolerance.

## What investment strategy does this financial product follow?

The Fund seeks long-term capital appreciation by investing primarily in established and emerging companies globally, with capitalizations within the range of companies included in the MSCI All Country World Index. To achieve its objective, the investment team typically invests in companies it believes have sustainable competitive advantages with above average business visibility, the ability to deploy capital at high rates of return, strong balance sheets and an attractive risk/reward. The investment process integrates analysis of sustainability by using ESG factors as a lens for additional fundamental research, which can contribute to investment decision-making. The Investment Adviser seeks to understand how environmental and social initiatives within companies can create value by strengthening durable competitive advantages, creating growth opportunities, driving profitability, and/or aligning with secular growth trends. The Investment Adviser generally engages with company management teams to discuss their ESG practices, with the aim of identifying how sustainability themes present opportunities and risks that can be material to the value of the security over the long term.

### ● ***What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?***

Binding restriction screens are applied to the Fund to restrict investments in corporate issuers whose industry classification or core business activity, determined in accordance with the methodology set out below, involves:

- Tobacco.
- Coal; or
- Weapons, comprising civilian firearms, cluster munitions and anti-personnel mines.

The methodology used to determine industry classification or core business activity for the purpose of the above-described screening is as follows:

- 1) Global Industry Classification Standard (GICS) Sub-Industry is Tobacco or Coal & Consumable Fuels;
- 2) Revenue (as defined by external third-party data):
  - more than 5% of its recent-year revenue (or estimated revenue) from Tobacco;
  - more than 10% of its recent-year revenue (or estimated revenue) from Thermal Coal;
  - more than 10% of its recent-year revenue (or estimated revenue) from the Manufacture of Civilian Firearms and ammunition; or
- 3) Involvement as identified by an external third-party data provider through corporate ownership, in manufacturing the core weapon system, or components/services of the core weapon system that are considered tailor-made and essential for the lethal use of the weapon, or cluster munitions and anti-personnel mines.

Investments that are held by the Fund but which breach one of the above exclusionary screens 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.

**Good governance** practices include sound management structures, employee relations, remuneration of staff and tax compliance.

● **What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?**

Not applicable. No minimum reduction rate has been defined in relation to the Fund’s scope of investments. However, the Investment Adviser anticipates that the application of the exclusions described above will reduce the scope of the Fund’s investment universe by up to 2%.

● **What is the policy to assess good governance practices of the investee companies?**

As part of the Fund’s holistic approach to considering sustainability research and factors, the Investment Adviser of the Fund assesses governance practices of investee companies, including but not limited to looking at the management structures, employee relations, remuneration of staff, and tax compliance of such companies. In particular, the Investment Advisor uses a proprietary, systematic evaluation of governance policies, specifically focusing on compensation alignment on long-term value creation.

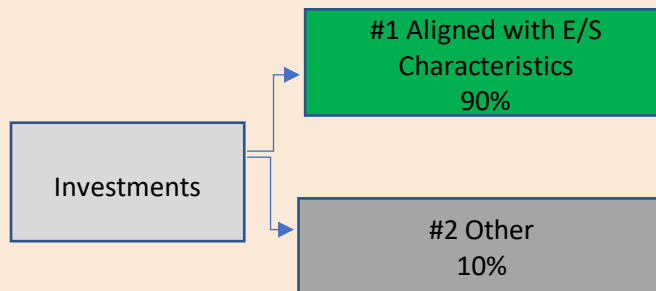


**What is the asset allocation planned for this financial product?**

**Asset allocation** describes the share of investments in specific assets.

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure (CapEx)** showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure (OpEx)** reflecting green operational activities of investee companies.



**#1 Aligned with E/S characteristics** includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

**#2 Other** includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

Category #1 investments (i.e. those aligned with E/S characteristics) comprise all investments that are screened against the Fund’s Restriction Screening Policy. Category #2 investments are those investments that are not screened against the Fund’s Restriction Screening Policy.

The entirety of the Fund, apart from cash and derivatives held for efficient portfolio management purposes, are screened against the Fund’s Restriction Screening Policy. This comprises 90% of the Fund. Accordingly, at least 90% of the Fund are Category #1 investments and the remaining 10% of the Fund (comprising cash and derivatives held for hedging purposes) are Category #2 investments.

These percentages are measured according to the value of the investments.

● **How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?**

Not applicable. The Fund does not use any derivatives to attain its environmental or social characteristics.



**To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?**

Not applicable

● **Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy<sup>1</sup>?**

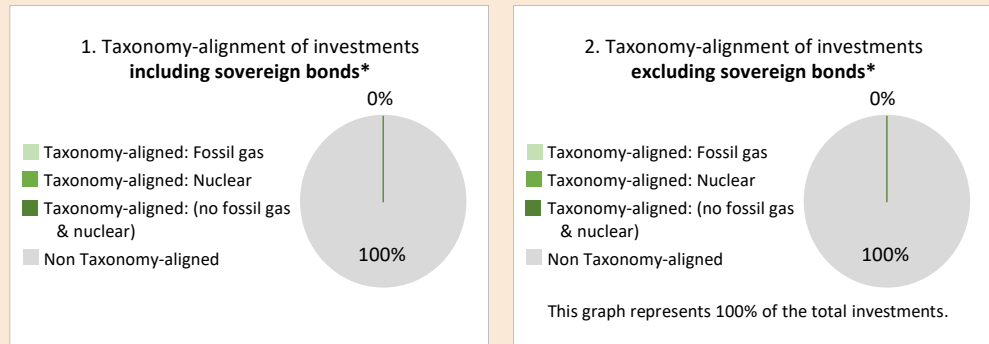
- Yes:
  - In fossil gas
  - In nuclear energy
- No

To comply with EU Taxonomy, the criteria for **fossil gas** include limitations on emission and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

**Transitional activities** are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

*The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.*



\* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures.

<sup>1</sup> Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objective – see explanatory note in the left-hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

● **What is the minimum share of investments in transitional and enabling activities?**

Not applicable



**What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?**

Not applicable



are sustainable investments with an environmental objective that **do not take into account** the criteria for environmentally sustainable economic activities under the EU Taxonomy.



**What is the minimum share of socially sustainable investments?**

Not applicable



**What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?**

10% of the Fund, comprising cash and derivatives held for efficient portfolio management purposes, are Category “#2 Other” investments. These instruments are not subject to environmental and/or social screening or any minimum environmental or social safeguards.



**Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?**

Not applicable

**Reference benchmarks** are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.



## Where can I find more product specific information online?

More product-specific information can be found on the website:

[https://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite\\_msinvf\\_globalendurance\\_en.pdf](https://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite_msinvf_globalendurance_en.pdf)

**Pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852**

**Product name:**  
Global Focus Property Fund

**Legal entity identifier:**  
549300RKO4JPURNNL036

## Environmental and/or social characteristics

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**.

That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

**Does this financial product have a sustainable investment objective?**

<p><input checked="" type="radio"/> <input type="radio"/> <b>Yes</b></p> <p><input type="checkbox"/> It will make a minimum of <b>sustainable investments with an environmental objective: ___%</b></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> </ul> <p><input type="checkbox"/> It will make a minimum of <b>sustainable investments with a social objective: ___%</b></p>	<p><input checked="" type="radio"/> <input type="radio"/> <b>No</b></p> <p><input type="checkbox"/> It <b>promotes Environmental/Social (E/S) characteristics</b> and while it does not have as its objective a sustainable investment, it will have a minimum proportion of ___% of sustainable investments</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> with a social objective</li> </ul> <p><input checked="" type="checkbox"/> It promotes E/S characteristics, but <b>will not make any sustainable investments</b></p>
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## What environmental and/or social characteristics are promoted by this financial product?

The Fund promotes the social characteristic of avoiding investments in certain activities which can cause harm to human health and wellbeing or be damaging to social cohesion. The Fund also excludes certain companies which have experienced notable sustainability-related controversies, or which are in violation of international norms.

Further detail on the nature of these exclusions is set out below (in response to the question “*What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?*”).

The Fund has not designated a reference benchmark for the purposes of attaining its social characteristics.

**Sustainability indicators** measure how the environmental or social characteristics promoted by the financial product are attained.

- ***What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?***

The application of the exclusionary screens to the Fund’s investments is measured by the percentage of the Fund’s investments which breach the exclusionary screens. The relevant sustainability indicator is therefore that 0% of the Fund’s investments are in violation of the Fund’s exclusionary screens.

- ***What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?***

Not applicable

- ***How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?***

Not applicable

- *How have the indicators for adverse impacts on sustainability factors been taken into account?*

Not applicable

- *How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:*

Not applicable

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.





## Does this financial product consider principal adverse impacts on sustainability factors?

- Yes  
 No

As described under *What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?* below, the Fund does not knowingly invest companies that fail to comply with the UN Global Compact or the ILO fundamental principles, unless the Investment Adviser considers that the company is taking appropriate steps for material remediation and improvement. The Fund therefore considers in part, PAI indicator number 10: violations of the UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises.



## What investment strategy does this financial product follow?

The Global Focus Property Fund's investment objective is to seek long term capital appreciation by investing primarily in a focused, concentrated portfolio of equity securities, including depositary receipts (including American Depositary Receipts (ADRs) and Global Depositary Receipts (GDRs)), of companies in the real estate industry or closely related to the real estate industry Located throughout the world that the Investment Adviser considers offer higher forecasted total return potential relative to other opportunities within the above mentioned asset classes.

The investment process is subject to regular review, as part of a control and monitoring framework implemented by the Investment Adviser and the Management Company. Morgan Stanley Investment Management's Compliance, Risk and Portfolio Surveillance teams collaborate with investment teams to conduct regular portfolio/performance reviews and systemic checks to ensure compliance with portfolio investment objectives, investment and client guidelines, taking into account changing market conditions, information and strategy developments.

The Investment Adviser actively manages the Fund using a high-conviction, disciplined, bottom-up, fundamentally driven investment methodology. The Fund will be comprised of those securities which the Investment Adviser considers offer higher forecasted total return potential based upon valuation relative to other opportunities in the investment universe. The Investment Adviser will assess real estate specific factors, broader equity factors, as well as ESG factors in their fundamental analysis in order to calculate appropriate valuation metrics. Top-down considerations are incorporated into the portfolio construction process and seek to achieve exposure across regions, countries and/or sectors and integrate forecasted fundamental inflections, macroeconomic considerations, geopolitical and country risk assessments, among other factors. The Investment Adviser actively selects positions in a limited number of equity securities.

In addition to the ESG considerations described in this document on a binding basis, the Fund integrates ESG considerations in the investment decision-making process to support its environmental and social characteristics on a non-binding basis. The Investment Adviser assesses key ESG risks and opportunities in the bottom-up stock selection process primarily by leveraging third-party ESG providers to assess and quantify ESG performance for issuers, supplementing third-party research with proprietary research conducted by the Investment Advisor including utilizing a proprietary framework for assessing and quantifying risks and opportunities related to ESG which results in a quantitative adjustment to valuation estimates, and through engagements with company management to discuss ESG-related strengths, weaknesses, and opportunities in an effort to effect positive change within the industry. While ESG considerations are an integrated and fundamental part of the investment process, they are only one of several key determinants used by the Investment Adviser to determine if an investment will be made or size adjusted in the overall portfolio.

**The investment strategy** guides investment decisions based on factors such as investment objectives and risk tolerance.

- ***What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?***

**Social and environmental exclusions:**

The Fund shall not knowingly invest in any company which derives more than 10% of company revenue from any one of the following activities:

- owning or operating real estate used for for-profit prisons;
- owning or operating real estate used to manufacture cannabis;
- manufacturing or production of tobacco;
- manufacturing or production of coal mining;
- manufacturing or production of controversial weapons and civilian firearms; and
- manufacturing or production of arctic oil and gas.

In addition, the Fund shall not knowingly invest in the following companies:

- companies that do not have at least one female board member, excluding companies located in Japan.

**International norms exclusions:**

The Fund shall not knowingly invest in the following companies:

- companies that have experienced a notable sustainability-related controversy related to their operations and/or products, where the severity of the social or environmental impact of the controversy is above a certain threshold based on third party data, unless the Investment Adviser considers that the company is taking appropriate steps for material remediation and improvement; or
- companies that fail to comply with the UN Global Compact or the ILO fundamental principles, unless the Investment Adviser considers that the company is taking appropriate steps for material remediation and improvement.

The above exclusions are implemented in line with the Fund's Restriction Screening and ESG Policy which can be found on [www.morganstanleyinvestmentfunds.com](http://www.morganstanleyinvestmentfunds.com) and on [www.morganstanley.com/im](http://www.morganstanley.com/im).

The Investment Adviser may apply additional ESG-related investment restrictions over time that it believes are consistent with its investment objectives and with the environmental or social characteristics that the Fund promotes. Such additional investment 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).

**Good governance** practices include sound management structures, employee relations, remuneration of staff and tax compliance.

- ***What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?***

Not applicable. No minimum reduction rate has been defined in relation to the Fund's scope of investments.

However, the Investment Adviser anticipates that the application of

- the social exclusions described above will reduce the scope of the Fund's investments by up to 1%; and
- the international norms exclusions described above will reduce the scope of the Fund's investments by up to 1%.

The anticipated reduction figures above are by market capitalisation of the Fund's potential investment universe.

● **What is the policy to assess good governance practices of the investee companies?**

As part of its bottom-up research process, the Investment Adviser incorporates assessment of an issuer's corporate governance and business practices, including but not limited to evidence of sound management structures and employee relations, fair remuneration of staff, and tax compliance, in order to ensure that every investee company follows good governance practices.

This is done through the monitoring of data on governance-related, as well as on other environmental and/or social factors and controversies, sourced from third party providers, through in-house research, and through engagement with the management of selected issuers on corporate governance and disclosure issues.



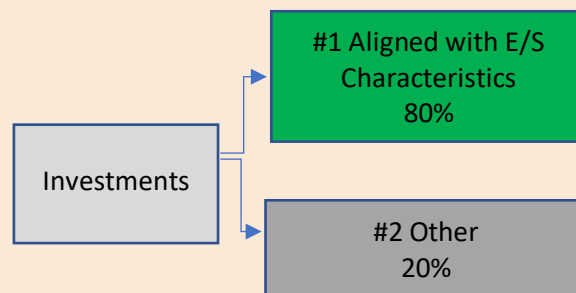
**Asset allocation**

describes the share of investments in specific assets.

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure (CapEx)** showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure (OpEx)** reflecting green operational activities of investee companies.

**What is the asset allocation planned for this financial product?**



**#1 Aligned with E/S characteristics** includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

**#2 Other** includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable

At least 80% of the Fund's investments align with the environmental and social characteristics it promotes, through the application of the above-mentioned exclusions.

A maximum of 20% of the Fund may be invested in hedging and/or cash instruments, which do not align with any environmental or social characteristics.

These percentages are measured according to the value of the investments.

The Fund does not intend to make any sustainable investments within the meaning of the Sustainable Finance Disclosure Regulation ("SFDR").

● **How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?**

The Fund does not use derivatives to attain the environmental or social characteristics which it promotes.



**To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?**

Not applicable

● **Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy<sup>1</sup>?**

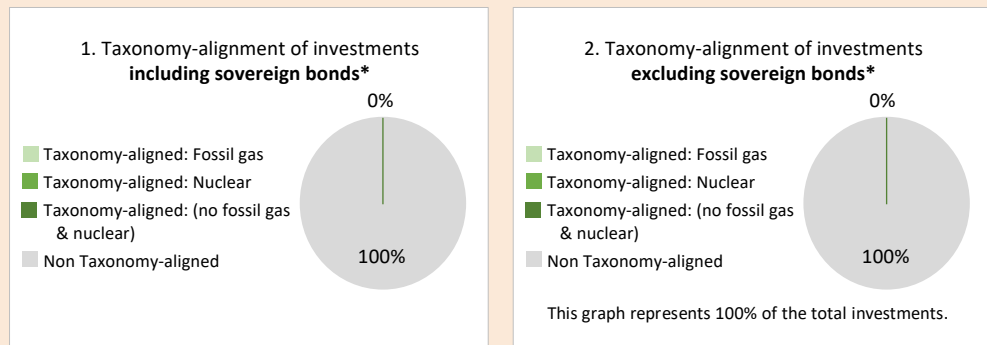
- Yes:
  - In fossil gas     In nuclear energy
- No

To comply with EU Taxonomy, the criteria for **fossil gas** include limitations on emission and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

**Transitional activities** are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

*The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.*



\* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures.

● **What is the minimum share of investments in transitional and enabling activities?**

Not applicable

<sup>1</sup> Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objective – see explanatory note in the left-hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.



### What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?

Not applicable



are sustainable investments with an environmental objective that **do not take into account** the criteria for environmentally sustainable economic activities under the EU Taxonomy.



### What is the minimum share of socially sustainable investments?

Not applicable



### What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?

The Fund may make investments in hedging and/or cash instruments. These are included in the “#2 Other” category. These instruments are not subject to environmental and/or social screening or any minimum environmental or social safeguards.



### Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?

Not applicable

**Reference benchmarks** are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.



### Where can I find more product specific information online?

More product-specific information can be found on the website:

[https://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite\\_msinvf\\_globalfocusproperty\\_en.pdf](https://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite_msinvf_globalfocusproperty_en.pdf)

Pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852

Product name:

Global Infrastructure Fund

Legal entity identifier:

549300FWCN1WWNKTBN70

## Environmental and/or social characteristics

### Sustainable investment

means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**.

That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

### Does this financial product have a sustainable investment objective?

Yes

It will make a minimum of **sustainable investments with an environmental objective:** \_\_\_%

- in economic activities that qualify as environmentally sustainable under the EU Taxonomy
- in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

It will make a minimum of **sustainable investments with a social objective:** \_\_\_%

No

It **promotes Environmental/Social (E/S) characteristics** and while it does not have as its objective a sustainable investment, it will have a minimum proportion of \_\_\_% of sustainable investments

- with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy
- with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy
- with a social objective

It promotes E/S characteristics, but **will not make any sustainable investments**



## What environmental and/or social characteristics are promoted by this financial product?

The Fund promotes the social characteristic of avoiding investments in certain activities which can cause harm to human health and wellbeing or be damaging to social cohesion. The Fund also excludes certain companies which have experienced notable sustainability-related controversies, or which are in violation of international norms.

Further detail on the nature of these exclusions is set out below (in response to the question “*What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?*”).

The Fund has not designated a reference benchmark for the purposes of attaining its social characteristics.

**Sustainability indicators** measure how the environmental or social characteristics promoted by the financial product are attained.

- ***What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?***

The application of the exclusionary screens to the Fund’s investments is measured by the percentage of the Fund’s investments which breach the exclusionary screens. The relevant sustainability indicator is therefore that 0% of the Fund’s investments are in violation of the Fund’s exclusionary screens.

- ***What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?***

Not applicable

- ***How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?***

Not applicable

- *How have the indicators for adverse impacts on sustainability factors been taken into account?*

Not applicable

- *How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:*

Not applicable

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.



## Does this financial product consider principal adverse impacts on sustainability factors?

- Yes  
 No

As described under *What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?* below, the Fund does not knowingly invest companies that fail to comply with the UN Global Compact or the ILO fundamental principles, unless the Investment Adviser considers that the company is taking appropriate steps for material remediation and improvement. The Fund therefore considers in part, PAI indicator number 10: violations of the UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises.



## What investment strategy does this financial product follow?

The Global Infrastructure Fund's investment objective is to seek to provide long term capital appreciation by investing primarily in equity securities issued by companies, for the avoidance of doubt including closed-end Real Estate Investment Trusts (REITS), Located throughout the world that are engaged in the infrastructure business.

The investment process is subject to regular review, as part of a control and monitoring framework implemented by the Investment Adviser and the Management Company. Morgan Stanley Investment Management's Compliance, Risk and Portfolio Surveillance teams collaborate with investment teams to conduct regular portfolio/performance reviews and systemic checks to ensure compliance with portfolio investment objectives, investment and client guidelines, taking into account changing market conditions, information and strategy developments.

In addition to the ESG considerations described in this document on a binding basis, the Fund integrates ESG considerations in the investment decision-making process to support its environmental and social characteristics on a non-binding basis. The Investment Adviser assesses key ESG risks and opportunities in the bottom-up stock selection process primarily by leveraging third-party ESG providers to assess and quantify ESG performance for issuers, supplementing third-party research with proprietary research conducted by the Investment Advisor including utilizing a framework for evaluating and assessing risks and opportunities related to ESG which are incorporated into the team's company analysis, and through engagements with company management to discuss ESG-related strengths, weaknesses, and opportunities in an effort to effect positive change within the industry. While ESG considerations are an integrated and fundamental part of the investment process, they are only one of several key determinants used by the Investment Adviser to determine if an investment will be made or size adjusted in the overall portfolio.

**The investment strategy** guides investment decisions based on factors such as investment objectives and risk tolerance.

### ● *What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?*

#### **Social exclusions:**

The Fund shall not knowingly invest in any company which derives more than 10% of company revenue from any one of the following activities:

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



- operating gambling activity; and
- operating adult entertainment

In addition, the Fund shall not knowingly invest in the following companies:

- companies that do not have at least one female board member.

**International norms exclusions:**

The Fund shall not knowingly invest in the following companies:

- companies that have experienced a notable sustainability-related controversy related to their operations and/or products, where the severity of the social or environmental impact of the controversy is above a certain threshold based on third party data, unless the Investment Adviser considers that the company is taking appropriate steps for material remediation and improvement; or
- companies that fail to comply with the UN Global Compact or the ILO fundamental principles, unless the Investment Adviser considers that the company is taking appropriate steps for material remediation and improvement.

The above exclusions are implemented in line with the Fund's Restriction Screening and ESG Policy which can be found on [www.morganstanleyinvestmentfunds.com](http://www.morganstanleyinvestmentfunds.com) and on [www.morganstanley.com/im](http://www.morganstanley.com/im).

The Investment Adviser may apply additional ESG-related investment restrictions over time that it believes are consistent with its investment objectives and with the environmental or social characteristics that the Fund promotes. Such additional investment 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).

**Good governance** practices include sound management structures, employee relations, remuneration of staff and tax compliance.

● ***What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?***

Not applicable. No minimum reduction rate has been defined in relation to the Fund's scope of investments.

However, the Investment Adviser anticipates that the application of the international norms exclusions described above will reduce the scope of the Fund's investments by up to 1%. Additionally, the social exclusions described above will reduce the scope of the Fund's investments by up to 1%

The anticipated reduction figures above are by market capitalisation of the Fund's potential investment universe.

● ***What is the policy to assess good governance practices of the investee companies?***

As part of its bottom-up research process, the Investment Adviser incorporates assessment of an issuer's corporate governance and business practices, including but not limited to evidence of sound management structures and employee relations, fair remuneration of staff, and tax compliance, in order to ensure that every investee company follows good governance practices.

This is done through the monitoring of data on governance-related, as well as on other environmental and/or social factors and controversies, sourced from third party providers, through in-house research, and through engagement with the management of selected issuers on corporate governance and disclosure issues.



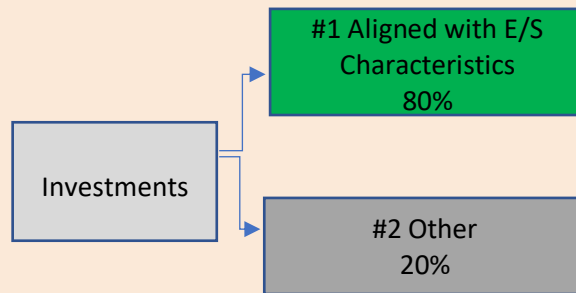
### Asset allocation

describes the share of investments in specific assets.

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies

## What is the asset allocation planned for this financial product?



**#1 Aligned with E/S characteristics** includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

**#2 Other** includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

At least 80% of the Fund's investments align with the environmental and social characteristics it promotes, through the application of the above-mentioned exclusions.

A maximum of 20% of the Fund may be invested in hedging and/or cash instruments, which do not align with any environmental or social characteristics.

These percentages are measured according to the value of the investments.

The Fund does not intend to make any sustainable investments within the meaning of the Sustainable Finance Disclosure Regulation ("SFDR").

### ● **How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?**

The Fund does not use derivatives to attain the environmental or social characteristics which it promotes.



## To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

Not applicable

● **Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy<sup>1</sup>?**

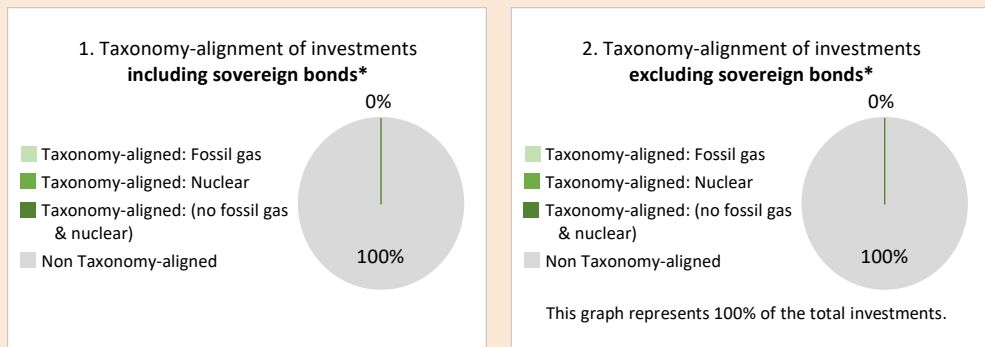
- Yes:
  - In fossil gas     In nuclear energy
- No

To comply with EU Taxonomy, the criteria for **fossil gas** include limitations on emission and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

**Transitional activities** are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

*The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.*



\* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures.

● **What is the minimum share of investments in transitional and enabling activities?**

Not applicable

<sup>1</sup> Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objective – see explanatory note in the left-hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.



### What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?

Not applicable



are sustainable investments with an environmental objective that **do not take into account** the criteria for environmentally sustainable economic activities under the EU Taxonomy.



### What is the minimum share of socially sustainable investments?

Not applicable



### What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?

The Fund may make investments in hedging and/or cash instruments. These are included in the “#2 Other” category. These instruments are not subject to environmental and/or social screening or any minimum environmental or social safeguards.



### Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?

Not applicable

**Reference benchmarks** are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.



### Where can I find more product specific information online?

More product-specific information can be found on the website:

[https://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite\\_msinvf\\_globalinfrastructure\\_en.pdf](https://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite_msinvf_globalinfrastructure_en.pdf)

Pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852

**Product name:**  
Global Insight Fund

**Legal entity identifier:**  
549300HWFDYTO3S36V14

## Environmental and/or social characteristics

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**.

That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

### Does this financial product have a sustainable investment objective?

**Yes**

It will make a minimum of **sustainable investments with an environmental objective:** \_\_\_%

- in economic activities that qualify as environmentally sustainable under the EU Taxonomy
- in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

It will make a minimum of **sustainable investments with a social objective:** \_\_\_%

**No**

It **promotes Environmental/Social (E/S) characteristics** and while it does not have as its objective a sustainable investment, it will have a minimum proportion of \_\_\_% of sustainable investments

- with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy
- with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy
- with a social objective

It promotes E/S characteristics, but **will not make any sustainable investments**



## What environmental and/or social characteristics are promoted by this financial product?

The Fund promotes the following environmental and social characteristics:

- the Fund promotes the environmental characteristic of limiting environmental externalities by excluding investments in thermal coal; and
- the Fund promotes the social characteristic of avoiding investments in certain activities which can cause harm to human health and wellbeing, including tobacco and certain weapons, comprising civilian firearms, cluster munitions and anti-personnel mines.

These exclusions are implemented in line with the Fund's Restriction Screening Policy, which can be found on [www.morganstanley.com/im](http://www.morganstanley.com/im) at [https://www.morganstanley.com/im/publication/msinvf/material/rsp\\_msinvf\\_counterpointglobal\\_en.pdf](https://www.morganstanley.com/im/publication/msinvf/material/rsp_msinvf_counterpointglobal_en.pdf).

Further detail on the nature of these exclusions is set out below (in response to the question "What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?").

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Fund.

**Sustainability indicators** measure how the environmental or social characteristics promoted by the financial product are attained.

- **What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?**

The sustainability indicator is the percentage of companies in the Fund which breach the exclusionary screens. The sustainability indicator will therefore be that 0% of the Fund's investments are in violation of the Fund's Restriction Screening Policy.

Compliance with the exclusions is monitored on an ongoing basis through an automated process, comprising pre- and post-trade guideline monitoring and exception-based screening.

- **What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?**

Not applicable

- **How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?**

Not applicable

- *How have the indicators for adverse impacts on sustainability factors been taken into account?*

Not applicable

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

- *How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:*

Not applicable

*The EU Taxonomy sets out a “do not significant harm” principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.*

*The “do no significant harm” principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.*

*Any other sustainable investments must also not significantly harm any environmental or social objectives.*

Regulation requires that this document include these statements. However, for the avoidance of doubt, this Fund does not: (i) take into account the EU criteria for environmentally sustainable economic activities in the EU Taxonomy; or (ii) calculate its portfolio alignment with the EU Taxonomy. As such, the Fund is 0% aligned with the EU Taxonomy. The “do no significant harm” principle applies only to the portion of the Fund’s investments that are sustainable investments.



### Does this financial product consider principal adverse impacts on sustainability factors?

Yes

No

The Fund considers principal adverse impacts (“PAI”) on sustainability factors only in part, as follows:

The Fund excludes issuers which receive a certain percentage of their revenue from thermal coal mining and extraction. The Fund therefore partly considers the PAI indicator (4) exposure to companies active in the fossil fuel sector.

The Fund excludes issuers which are involved in manufacturing the core weapon system of cluster munitions and anti-personnel mines. The Fund therefore partly considers the PAI indicator (14) exposure to controversial weapons.

Where the Investment Adviser considers the following PAI indicators to be materially relevant to, or impacted by, the activities of the issuer, it will also consider the following PAIs on sustainability factors. This will be done by the Investment Advisor (a) integrating ESG analysis within the research process and/or (b) engaging with management of investee companies. The PAIs considered are the following:

PAI indicator (1): Greenhouse gas emissions (GHG).

PAI indicator (3): GHG intensity.

PAI indicator (5): Non-Renewable energy consumption and production; and

PAI indicator (6): Energy consumption intensity per high impact climate sector.

As a result, the Fund contributes to mitigating the Fund's adverse impacts on these sustainability factors.



**The investment strategy** guides investment decisions based on factors such as investment objectives and risk tolerance.

## What investment strategy does this financial product follow?

The Fund seeks long-term capital appreciation by investing primarily in established and emerging companies globally. To achieve its objective, the investment team typically invests in unique companies it believes have sustainable competitive advantages with above average business visibility, the ability to deploy capital at high rates of return, strong balance sheets and an attractive risk/reward. The investment process integrates analysis of sustainability by using ESG factors as a lens for additional fundamental research, which can contribute to investment decision-making. The Investment Adviser seeks to understand how environmental and social initiatives within companies can create value by strengthening durable competitive advantages, creating growth opportunities, driving profitability, and/or aligning with secular growth trends. The Investment Adviser generally engages with company management teams to discuss their ESG practices, with the aim of identifying how sustainability themes present opportunities and risks that can be material to the value of the security over the long term.

### ● **What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?**

Binding restriction screens are applied to the Fund to restrict investments in corporate issuers whose industry classification or core business activity, determined in accordance with the methodology set out below, involves:

- Tobacco.
- Coal; or
- Weapons, comprising civilian firearms, cluster munitions and anti-personnel mines.

The methodology used to determine industry classification or core business activity for the purpose of the above-described screening is as follows:

- 1) Global Industry Classification Standard (GICS) Sub-Industry is Tobacco or Coal & Consumable Fuels;
- 2) Revenue (as defined by external third-party data):
  - more than 5% of its recent-year revenue (or estimated revenue) from Tobacco;
  - more than 10% of its recent-year revenue (or estimated revenue) from Thermal Coal;
  - more than 10% of its recent-year revenue (or estimated revenue) from the Manufacture of Civilian Firearms and ammunition; or
- 3) Involvement as identified by an external third-party data provider through corporate ownership, in manufacturing the core weapon system, or components/services of the core weapon system that are considered tailor-made and essential for the lethal use of the weapon, or cluster munitions and anti-personnel mines.

Investments that are held by the Fund but which breach one of the above exclusionary screens 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.



**Good governance** practices include sound management structures, employee relations, remuneration of staff and tax compliance.

● **What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?**

Not applicable. No minimum reduction rate has been defined in relation to the Fund's scope of investments. However, the Investment Adviser anticipates that the application of the exclusions described above will reduce the scope of the Fund's investment universe by up to 2%.

● **What is the policy to assess good governance practices of the investee companies?**

As part of the Fund's holistic approach to considering sustainability research and factors, the Investment Adviser of the Fund assesses governance practices of investee companies, including but not limited to looking at the management structures, employee relations, remuneration of staff, and tax compliance of such companies. In particular, the Investment Adviser uses a proprietary, systematic evaluation of governance policies, specifically focusing on compensation alignment on long-term value creation.



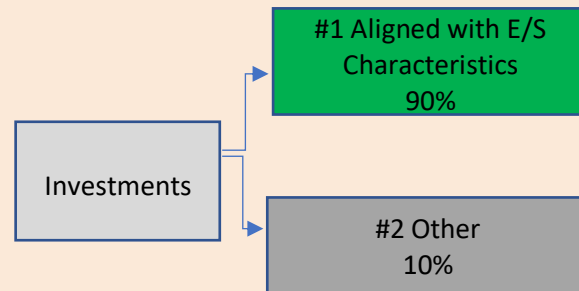
**Asset allocation**

describes the share of investments in specific assets.

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.

**What is the asset allocation planned for this financial product?**



**#1 Aligned with E/S characteristics** includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

**#2 Other** includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

Category #1 investments (i.e. those aligned with E/S characteristics) comprise all investments that are screened against the Fund's Restriction Screening Policy. Category #2 investments are those investments that are not screened against the Fund's Restriction Screening Policy.

The entirety of the Fund, apart from cash and derivatives held for efficient portfolio management purposes, are screened against the Fund's Restriction Screening Policy. This comprises 90% of the Fund. Accordingly, at least 90% of the Fund are Category #1 investments and the remaining 10% of the Fund (comprising cash and derivatives held for hedging purposes) are Category #2 investments.

These percentages are measured according to the value of the investments.

● **How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?**

Not applicable. The Fund does not use any derivatives to attain its environmental or social characteristics.



**To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?**

Not applicable

● **Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy<sup>1</sup>?**

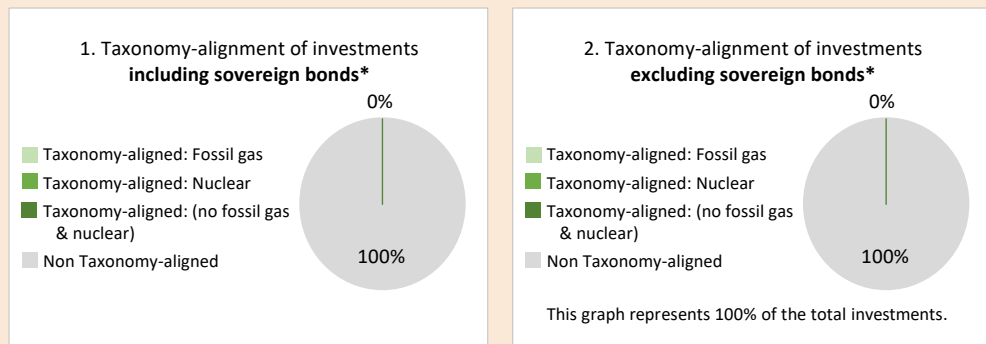
- Yes:
  - In fossil gas
  - In nuclear energy
- No

To comply with EU Taxonomy, the criteria for **fossil gas** include limitations on emission and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

**Transitional activities** are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

*The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.*



\* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures.

● **What is the minimum share of investments in transitional and enabling activities?**

Not applicable

<sup>1</sup> Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objective – see explanatory note in the left-hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.



### What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?

Not applicable



are sustainable investments with an environmental objective that **do not take into account** the criteria for environmentally sustainable economic activities under the EU Taxonomy.



### What is the minimum share of socially sustainable investments?

Not applicable



### What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?

10% of the Fund, comprising cash and derivatives held for efficient portfolio management purposes, are Category “#2 Other” investments. These instruments are not subject to environmental and/or social screening or any minimum environmental or social safeguards.



### Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?

Not applicable

**Reference benchmarks** are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.



### Where can I find more product specific information online?

More product-specific information can be found on the website:

[https://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite\\_msinvf\\_globalinsight\\_en.pdf](https://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite_msinvf_globalinsight_en.pdf)

Pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852

Product name:

Global Opportunity Fund

Legal entity identifier:

5493000BFE8KBAX1S309

## Environmental and/or social characteristics

### Sustainable investment

means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

### The EU Taxonomy is

a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**.

That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

### Does this financial product have a sustainable investment objective?

Yes

It will make a minimum of **sustainable investments with an environmental objective:** \_\_\_%

- in economic activities that qualify as environmentally sustainable under the EU Taxonomy
- in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

It will make a minimum of **sustainable investments with a social objective:** \_\_\_%

No

It **promotes Environmental/Social (E/S) characteristics** and while it does not have as its objective a sustainable investment, it will have a minimum proportion of \_\_\_% of sustainable investments

- with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy
- with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy
- with a social objective

It promotes E/S characteristics, but **will not make any sustainable investments**



## What environmental and/or social characteristics are promoted by this financial product?

The Fund promotes the following environmental and social characteristics:

- the Fund promotes the environmental characteristic of limiting environmental externalities by excluding investments in coal; and
- the Fund promotes the social characteristic of avoiding investments in certain activities which can cause harm to human health and wellbeing, including tobacco and certain weapons, comprising civilian firearms, cluster munitions and anti-personnel mines.

These exclusions are implemented in line with the Fund's Restriction Screening Policy, which can be found on [www.morganstanley.com/im](http://www.morganstanley.com/im) at [https://www.morganstanley.com/im/publication/msinvf/material/rsp\\_msinvf\\_counterpointglobal\\_en.pdf](https://www.morganstanley.com/im/publication/msinvf/material/rsp_msinvf_counterpointglobal_en.pdf).

Further detail on the nature of these exclusions is set out below (in response to the question "What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?").

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Fund.

**Sustainability indicators** measure how the environmental or social characteristics promoted by the financial product are attained.

- **What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?**

The sustainability indicator is the percentage of companies in the Fund which breach the exclusionary screens. The sustainability indicator will therefore be that 0% of the Fund's investments are in violation of the Fund's Restriction Screening Policy.

Compliance with the exclusions is monitored on an ongoing basis through an automated process, comprising pre- and post-trade guideline monitoring and exception-based screening.

- **What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?**

Not applicable

- **How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?**

Not applicable

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

- How have the indicators for adverse impacts on sustainability factors been taken into account?

Not applicable

- How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:

Not applicable

*The EU Taxonomy sets out a “do not significant harm” principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.*

*The “do no significant harm” principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.*

*Any other sustainable investments must also not significantly harm any environmental or social objectives.*

*Regulation requires that this document include these statements. However, for the avoidance of doubt, this Fund does not: (i) take into account the EU criteria for environmentally sustainable economic activities in the EU Taxonomy; or (ii) calculate its portfolio alignment with the EU Taxonomy. As such, the Fund is 0% aligned with the EU Taxonomy. The “do no significant harm” principle applies only to the portion of the Fund’s investments that are sustainable investments.*



### Does this financial product consider principal adverse impacts on sustainability factors?

Yes

No

The Fund considers principal adverse impacts (“PAI”) on sustainability factors only in part, as follows:

- The Fund excludes issuers which receive a certain percentage of their revenue from coal mining and extraction. The Fund therefore partly considers the PAI indicator (4) exposure to companies active in the fossil fuel sector.
- The Fund excludes issuers which are involved in manufacturing the core weapon system of cluster munitions and anti-personnel mines. The Fund therefore partly considers the PAI indicator (14) exposure to controversial weapons.

Where the Investment Adviser considers the following PAI indicators to be materially relevant to, or impacted by, the activities of the issuer, it will also consider the following PAIs on sustainability factors. This will be done by the Investment Advisor (a) integrating ESG analysis within the research process and/or (b) engaging with management of investee companies. The PAIs considered are the following:

- PAI indicator (1): Greenhouse gas emissions (GHG);
- PAI indicator (2): Carbon footprint;
- PAI indicator (3): GHG intensity;
- PAI indicator (5): Non-Renewable energy consumption and production; and
- PAI indicator (6): Energy consumption intensity per high impact climate sector.

As a result, the Fund contributes to mitigating the Fund's adverse impacts on these sustainability factors.



**The investment strategy** guides investment decisions based on factors such as investment objectives and risk tolerance.

## What investment strategy does this financial product follow?

The Fund seeks long-term capital appreciation by investing globally in high quality established and emerging companies that the investment team believes are undervalued at the time of purchase. To achieve its objective, the investment team typically favors companies it believes have sustainable competitive advantages that can be monetized 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)

### • ***What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?***

Binding restriction screens are applied to the Fund to restrict investments in corporate issuers whose industry classification or core business activity, determined in accordance with the methodology set out below, involves:

- Tobacco;
- Coal; or
- Weapons, comprising civilian firearms, cluster munitions and anti-personnel mines.

The methodology used to determine industry classification or core business activity for the purpose of the above-described screening is as follows:

- 1) Global Industry Classification Standard (GICS) Sub-Industry is Tobacco or Coal & Consumable Fuels;
- 2) Revenue (as defined by external third-party data):
  - more than 5% of its recent-year revenue (or estimated revenue) from Tobacco;
  - more than 10% of its recent-year revenue (or estimated revenue) from Thermal Coal;
  - more than 10% of its recent-year revenue (or estimated revenue) from the Manufacture of Civilian Firearms and ammunition; or
- 3) Involvement as identified by an external third-party data provider through corporate ownership, in manufacturing the core weapon system, or components/services of the core weapon system that are considered tailor-made and essential for the lethal use of the weapon, or cluster munitions and anti-personnel mines.

Investments that are held by the Fund but which breach one of the above exclusionary screens 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.

**Good governance** practices include sound management structures, employee relations, remuneration of staff and tax compliance.

● **What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?**

Not applicable. No minimum reduction rate has been defined in relation to the Fund’s scope of investments. However, the Investment Adviser anticipates that the application of the exclusions described above will reduce the scope of the Fund’s investment universe by 1 - 5%.

● **What is the policy to assess good governance practices of the investee companies?**

As part of the Fund’s holistic approach to ESG, the Investment Adviser of the Fund assesses governance practices of investee companies, including but not limited to looking at the management structures, employee relations, remuneration of staff, and tax compliance of such companies. This is framed by a set of questions applied consistently across companies. Topics include, but are not limited to, management incentives aligned with the long-term interest of shareholders, capital allocation, independent and engaged boards, and transparency of accounting.

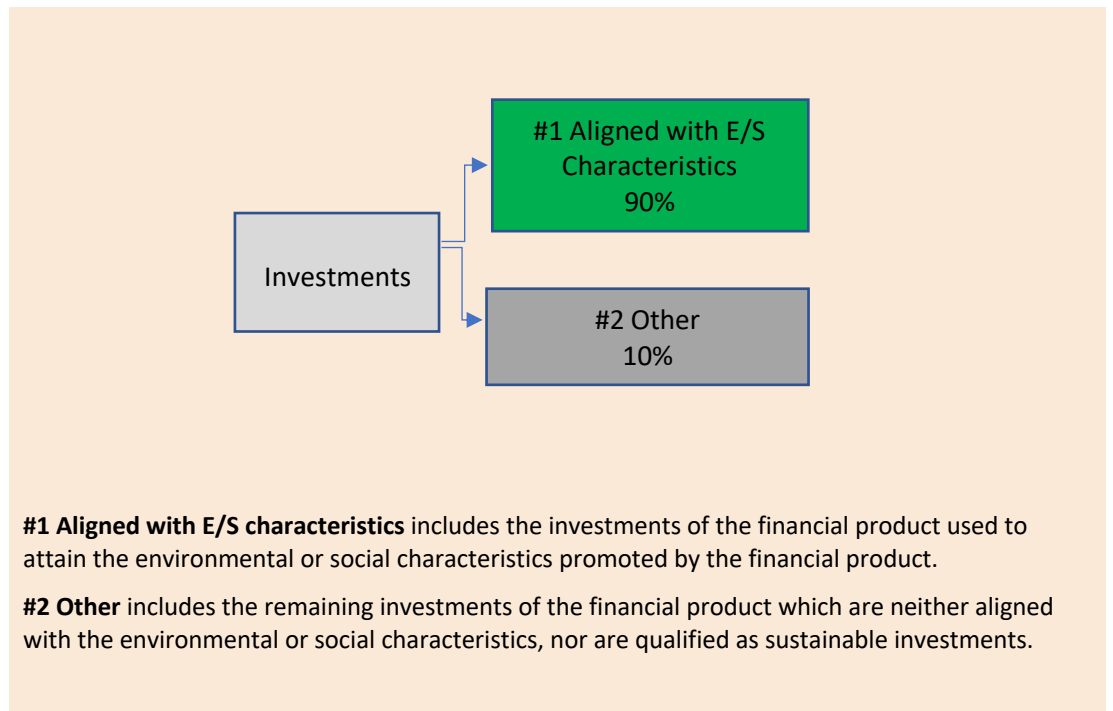


**Asset allocation** describes the share of investments in specific assets.

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.

**What is the asset allocation planned for this financial product?**



**#1 Aligned with E/S characteristics** includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

**#2 Other** includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

Category #1 investments (i.e. those aligned with E/S characteristics) comprise all investments that are screened against the Fund’s Restriction Screening Policy. Category #2 investments are those investments that are not screened against the Fund’s Restriction Screening Policy.

The entirety of the Fund, apart from cash and derivatives held for efficient portfolio management purposes, are screened against the Fund’s Restriction Screening Policy. This comprises 90% of the Fund. Accordingly, at least 90% of the Fund are Category #1 investments and the remaining 10% of the Fund (comprising cash and derivatives held for hedging purposes) are Category #2 investments.

These percentages are measured according to the value of the investments.



● **How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?**

Not applicable. The Fund does not use any derivatives to attain its environmental or social characteristics.



**To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?**

Not applicable

● **Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy<sup>1</sup>?**

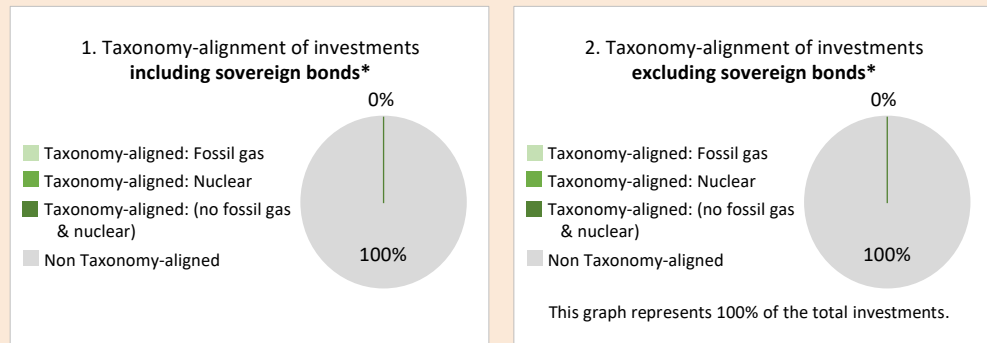
- Yes:
  - In fossil gas
  - In nuclear energy
- No

To comply with EU Taxonomy, the criteria for **fossil gas** include limitations on emission and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

**Transitional activities** are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

*The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.*



\* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures.

● **What is the minimum share of investments in transitional and enabling activities?**

Not applicable

<sup>1</sup> Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objective – see explanatory note in the left-hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.



are sustainable investments with an environmental objective that **do not take into account** the criteria for environmentally sustainable economic activities under the EU Taxonomy.

### What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?

Not applicable



### What is the minimum share of socially sustainable investments?

Not applicable



### What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?

Up to 10% of the Fund, comprising cash and derivatives held for efficient portfolio management purposes, are Category “#2 Other” investments. These instruments are not subject to environmental and/or social screening or any minimum environmental or social safeguards.



### Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?

Not applicable

**Reference benchmarks** are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.



### Where can I find more product specific information online?

More product-specific information can be found on the website:

[https://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite\\_msinvf\\_globalopportunity\\_en.pdf](https://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite_msinvf_globalopportunity_en.pdf)

Pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852

Product name:

Global Permanence Fund

Legal entity identifier:

549300BNIZDA1BSKNE57

## Environmental and/or social characteristics

### Sustainable investment

means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**.

That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

### Does this financial product have a sustainable investment objective?

Yes

It will make a minimum of **sustainable investments with an environmental objective: \_\_\_%**

- in economic activities that qualify as environmentally sustainable under the EU Taxonomy
- in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

It will make a minimum of **sustainable investments with a social objective: \_\_\_%**

No

It **promotes Environmental/Social (E/S) characteristics** and while it does not have as its objective a sustainable investment, it will have a minimum proportion of \_\_\_% of sustainable investments

- with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy
- with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy
- with a social objective

It promotes E/S characteristics, but **will not make any sustainable investments**



## What environmental and/or social characteristics are promoted by this financial product?

The Fund promotes the following environmental and social characteristics:

- the Fund promotes the environmental characteristic of limiting environmental externalities by excluding investments in thermal coal; and
- the Fund promotes the social characteristic of avoiding investments in certain activities which can cause harm to human health and wellbeing, including tobacco and certain weapons, comprising civilian firearms, cluster munitions and anti-personnel mines.

These exclusions are implemented in line with the Fund's Restriction Screening Policy, which can be found on [www.morganstanley.com/im](http://www.morganstanley.com/im) at [https://www.morganstanley.com/im/publication/msinvf/material/rsp\\_msinvf\\_counterpointglobal\\_en.pdf](https://www.morganstanley.com/im/publication/msinvf/material/rsp_msinvf_counterpointglobal_en.pdf)

Further detail on the nature of these exclusions is set out below (in response to the question "What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?").

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Fund.

**Sustainability indicators** measure how the environmental or social characteristics promoted by the financial product are attained.

- **What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?**

The sustainability indicator is the percentage of companies in the Fund which breach the exclusionary screens. The sustainability indicator will therefore be that 0% of the Fund's investments are in violation of the Fund's Restriction Screening Policy.

Compliance with the exclusions is monitored on an ongoing basis through an automated process, comprising pre- and post-trade guideline monitoring and exception-based screening.

- **What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?**

Not applicable

- **How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?**

Not applicable

- *How have the indicators for adverse impacts on sustainability factors been taken into account?*

Not applicable

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

- *How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:*

Not applicable

*The EU Taxonomy sets out a “do not significant harm” principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.*

*The “do no significant harm” principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.*

*Any other sustainable investments must also not significantly harm any environmental or social objectives.*

*Regulation requires that this document include these statements. However, for the avoidance of doubt, this Fund does not: (i) take into account the EU criteria for environmentally sustainable economic activities in the EU Taxonomy; or (ii) calculate its portfolio alignment with the EU Taxonomy. As such, the Fund is 0% aligned with the EU Taxonomy. The “do no significant harm” principle applies only to the portion of the Fund’s investments that are sustainable investments.*



### Does this financial product consider principal adverse impacts on sustainability factors?

Yes

No

The Fund considers principal adverse impacts (“PAI”) on sustainability factors only in part, as follows:

The Fund excludes issuers which receive a certain percentage of their revenue from thermal coal mining and extraction. The Fund therefore partly considers the PAI indicator (4) exposure to companies active in the fossil fuel sector.

The Fund excludes issuers which are involved in manufacturing the core weapon system of cluster munitions and anti-personnel mines. The Fund therefore partly considers the PAI indicator (14) exposure to controversial weapons.

Where the Investment Adviser considers the following PAI indicators to be materially relevant to, or impacted by, the activities of the issuer, it will also consider the following PAIs on sustainability factors. This will be done by the Investment Adviser (a) integrating ESG analysis within the research process and/or (b) engaging with management of investee companies. The PAIs considered are the following:

PAI indicator (1): Greenhouse gas emissions (GHG).

PAI indicator (3): GHG intensity.

PAI indicator (5): Non-Renewable energy consumption and production; and

PAI indicator (6): Energy consumption intensity per high impact climate sector.

As a result, the Fund contributes to mitigating the Fund's adverse impacts on these sustainability factors.



**The investment strategy** guides investment decisions based on factors such as investment objectives and risk tolerance.

## What investment strategy does this financial product follow?

The Fund seeks long-term capital appreciation by investing primarily in established companies globally, with capitalizations within the range of companies included in the MSCI All Country World Index. To achieve its objective, the investment team typically invests in companies it believes have strong name recognition, sustainable competitive advantages with above average business visibility, the ability to deploy capital at high rates of return, strong balance sheets and an attractive risk/reward. The investment process integrates analysis of sustainability by using ESG factors as a lens for additional fundamental research, which can contribute to investment decision-making. The Investment Adviser seeks to understand how environmental and social initiatives within companies can create value by strengthening durable competitive advantages, creating growth opportunities, driving profitability, and/or aligning with secular growth trends. The Investment Adviser generally engages with company management teams to discuss their ESG practices, with the aim of identifying how sustainability themes present opportunities and risks that can be material to the value of the security over the long term.

### ● **What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?**

Binding restriction screens are applied to the Fund to restrict investments in corporate issuers whose industry classification or core business activity, determined in accordance with the methodology set out below, involves:

- Tobacco.
- Coal; or
- Weapons, comprising civilian firearms, cluster munitions and anti-personnel mines.

The methodology used to determine industry classification or core business activity for the purpose of the above-described screening is as follows:

- 1) Global Industry Classification Standard (GICS) Sub-Industry is Tobacco or Coal & Consumable Fuels;
- 2) Revenue (as defined by external third-party data):
  - more than 5% of its recent-year revenue (or estimated revenue) from Tobacco;
  - more than 10% of its recent-year revenue (or estimated revenue) from Thermal Coal;
  - more than 10% of its recent-year revenue (or estimated revenue) from the Manufacture of Civilian Firearms and ammunition; or
- 3) Involvement as identified by an external third-party data provider through corporate ownership, in manufacturing the core weapon system, or components/services of the core weapon system that are considered tailor-made and essential for the lethal use of the weapon, or cluster munitions and anti-personnel mines.

Investments that are held by the Fund but which breach one of the above exclusionary screens 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.

**Good governance** practices include sound management structures, employee relations, remuneration of staff and tax compliance.

● **What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?**

Not applicable. No minimum reduction rate has been defined in relation to the Fund’s scope of investments. However, the Investment Adviser anticipates that the application of the exclusions described above will reduce the scope of the Fund’s investment universe by up to 2%.

● **What is the policy to assess good governance practices of the investee companies?**

As part of the Fund’s holistic approach to considering sustainability research and factors, the Investment Adviser of the Fund assesses governance practices of investee companies, including but not limited to looking at the management structures, employee relations, remuneration of staff, and tax compliance of such companies. In particular, the Investment Advisor uses a proprietary, systematic evaluation of governance policies, specifically focusing on compensation alignment on long-term value creation.

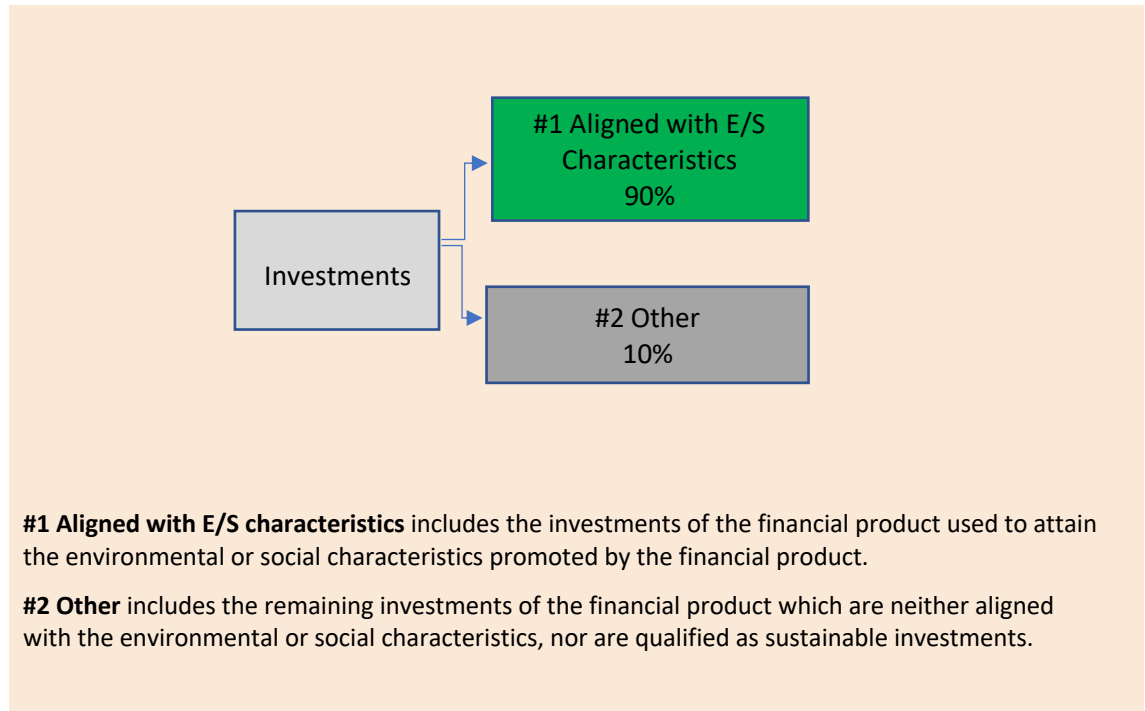


**Asset allocation** describes the share of investments in specific assets.

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.

**What is the asset allocation planned for this financial product?**



**#1 Aligned with E/S characteristics** includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

**#2 Other** includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

Category #1 investments (i.e. those aligned with E/S characteristics) comprise all investments that are screened against the Fund’s Restriction Screening Policy. Category #2 investments are those investments that are not screened against the Fund’s Restriction Screening Policy.

The entirety of the Fund, apart from cash and derivatives held for efficient portfolio management purposes, are screened against the Fund’s Restriction Screening Policy. This comprises 90% of the Fund. Accordingly, at least 90% of the Fund are Category #1 investments and the remaining 10% of the Fund (comprising cash and derivatives held for hedging purposes) are Category #2 investments.

These percentages are measured according to the value of the investments.

● **How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?**

Not applicable. The Fund does not use any derivatives to attain its environmental or social characteristics.



**To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?**

Not applicable

To comply with EU Taxonomy, the criteria for **fossil gas** include limitations on emission and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

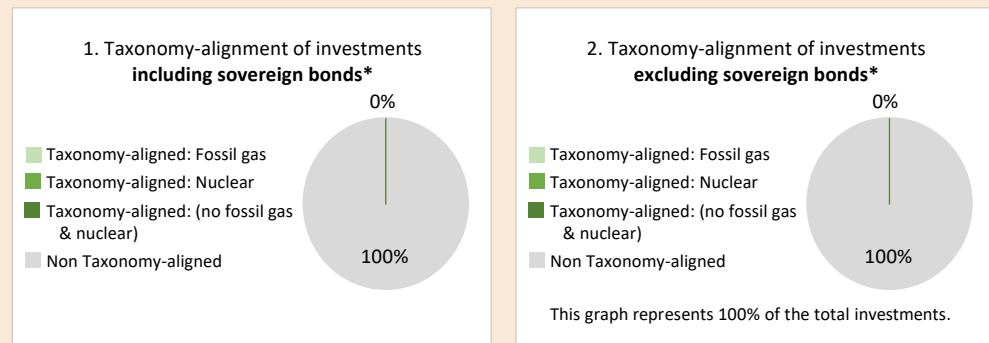
**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

**Transitional activities** are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

● **Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy<sup>1</sup>?**

- Yes:  
 In fossil gas     In nuclear energy  
 No

*The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.*



\* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures.

● **What is the minimum share of investments in transitional and enabling activities?**

Not applicable

<sup>1</sup> Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objective – see explanatory note in the left-hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.





### What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?

Not applicable



are sustainable investments with an environmental objective that **do not take into account** the criteria for environmentally sustainable economic activities under the EU Taxonomy.



### What is the minimum share of socially sustainable investments?

Not applicable



### What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?

10% of the Fund, comprising cash and derivatives held for efficient portfolio management purposes, are Category “#2 Other” investments. These instruments are not subject to environmental and/or social screening or any minimum environmental or social safeguards.



### Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?

Not applicable

**Reference benchmarks** are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.



### Where can I find more product specific information online?

More product-specific information can be found on the website:

[https://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite\\_msinvf\\_globalpermanence\\_en.pdf](https://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite_msinvf_globalpermanence_en.pdf)

Pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852

Product name:

Global Property Fund

Legal entity identifier:

XBU1PE3KMQXHFDLPA33

## Environmental and/or social characteristics

### Sustainable investment

means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**.

That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

### Does this financial product have a sustainable investment objective?

Yes

It will make a minimum of **sustainable investments with an environmental objective:** \_\_\_%

- in economic activities that qualify as environmentally sustainable under the EU Taxonomy
- in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

It will make a minimum of **sustainable investments with a social objective:** \_\_\_%

No

It **promotes Environmental/Social (E/S) characteristics** and while it does not have as its objective a sustainable investment, it will have a minimum proportion of \_\_\_% of sustainable investments

- with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy
- with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy
- with a social objective

It promotes E/S characteristics, but **will not make any sustainable investments**



## What environmental and/or social characteristics are promoted by this financial product?

The Fund promotes the social characteristic of avoiding investments in certain activities which can cause harm to human health and wellbeing or be damaging to social cohesion. The Fund also excludes certain companies which have experienced notable sustainability-related controversies, or which are in violation of international norms.

Further detail on the nature of these exclusions is set out below (in response to the question “*What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?*”).

The Fund has not designated a reference benchmark for the purposes of attaining its social characteristics.

**Sustainability indicators** measure how the environmental or social characteristics promoted by the financial product are attained.

- ***What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?***

The application of the exclusionary screens to the Fund’s investments is measured by the percentage of the Fund’s investments which breach the exclusionary screens. The relevant sustainability indicator is therefore that 0% of the Fund’s investments are in violation of the Fund’s exclusionary screens.

- ***What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?***

Not applicable

- ***How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?***

Not applicable

- *How have the indicators for adverse impacts on sustainability factors been taken into account?*

Not applicable

- *How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:*

Not applicable

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.



## Does this financial product consider principal adverse impacts on sustainability factors?

- Yes  
 No

As described under *What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?* below, the Fund does not knowingly invest companies that fail to comply with the UN Global Compact or the ILO fundamental principles, unless the Investment Adviser considers that the company is taking appropriate steps for material remediation and improvement. The Fund therefore considers in part, PAI indicator number 10: violations of the UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises.



## What investment strategy does this financial product follow?

**The investment strategy** guides investment decisions based on factors such as investment objectives and risk tolerance.

The Global Property Fund's investment objective is to seek long term capital appreciation primarily through investment in the equity securities of companies in the real estate industry, or closely related to the real estate industry Located throughout the world. The investment process utilizes internal proprietary research to invest in public real estate companies that may offer the best relative value relative to their underlying assets and earnings.

The investment process is subject to regular review, as part of a control and monitoring framework implemented by the Investment Adviser and the Management Company. Morgan Stanley Investment Management's Compliance, Risk and Portfolio Surveillance teams collaborate with investment teams to conduct regular portfolio/performance reviews and systemic checks to ensure compliance with portfolio investment objectives, investment and client guidelines, taking into account changing market conditions, information and strategy developments.

The Investment Adviser utilizes a bottom-up approach, valuing each security within the investment universe to arrive at an estimate of net asset value and forward cash flows. Real estate specific factors, broader equity factors, and environmental, social and governance (ESG) factors (as described further below) are assessed in the fundamental analysis to calculate appropriate valuation metrics. The Investment Adviser also incorporates a top-down approach in the portfolio construction process by integrating several factors which may include forecasted fundamental inflections, macroeconomic considerations, and geopolitical and country risk assessments, to achieve diversified exposure across regions, countries and/or sectors.

In addition to the ESG considerations described in this document on a binding basis, the Fund integrates ESG considerations in the investment decision-making process to support its environmental and social characteristics on a non-binding basis. The Investment Adviser assesses key ESG risks and opportunities in the bottom-up stock selection process primarily by leveraging third-party ESG providers to assess and quantify ESG performance for issuers, supplementing third-party research with proprietary research conducted by the Investment Advisor including utilizing a framework for assessing and quantifying risks and opportunities related to ESG which results in a quantitative adjustment to valuation estimates, and through engagements with company management to discuss ESG-related strengths, weaknesses, and opportunities in an effort to effect positive change within the industry. While ESG considerations are an integrated and fundamental part of the investment process, they are only one of several key determinants used by the Investment Adviser to determine if an investment will be made or size adjusted in the overall portfolio.

- ***What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?***

**Social and environmental exclusions:**

The Fund shall not knowingly invest in any company which derives more than 10% of company revenue from any one of the following activities:

- owning or operating real estate used for for-profit prisons;
- owning or operating real estate used to manufacture cannabis;
- manufacturing or production of tobacco;
- manufacturing or production of coal mining;
- manufacturing or production of controversial weapons and civilian firearms; and
- manufacturing or production of arctic oil and gas.

In addition, the Fund shall not knowingly invest in the following companies:

- companies that do not have at least one female board member, excluding companies located in Japan.

**International norms exclusions:**

The Fund shall not knowingly invest in the following companies:

- companies that have experienced a notable sustainability-related controversy related to their operations and/or products, where the severity of the social or environmental impact of the controversy is above a certain threshold based on third party data, unless the Investment Adviser considers that the company is taking appropriate steps for material remediation and improvement; or
- companies that fail to comply with the UN Global Compact or the ILO fundamental principles, unless the Investment Adviser considers that the company is taking appropriate steps for material remediation and improvement.

The above exclusions are implemented in line with the Fund's Restriction Screening and ESG Policy which can be found on [www.morganstanleyinvestmentfunds.com](http://www.morganstanleyinvestmentfunds.com) and on [www.morganstanley.com/im](http://www.morganstanley.com/im).

The Investment Adviser may apply additional ESG-related investment restrictions over time that it believes are consistent with its investment objectives and with the environmental or social characteristics that the Fund promotes. Such additional investment 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).

**Good governance** practices include sound management structures, employee relations, remuneration of staff and tax compliance.

- ***What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?***

Not applicable. No minimum reduction rate has been defined in relation to the Fund's scope of investments.

However, the Investment Adviser anticipates that the application of

- the social exclusions described above will reduce the scope of the Fund's investments by up to 1%; and
- the international norms exclusions described above will reduce the scope of the Fund's investments by 1%.

The anticipated reduction figures above are by market capitalisation of the Fund's potential investment universe.

● **What is the policy to assess good governance practices of the investee companies?**

As part of its bottom-up research process, the Investment Adviser incorporates assessment of an issuer's corporate governance and business practices, including but not limited to evidence of sound management structures and employee relations, fair remuneration of staff, and tax compliance, in order to ensure that every investee company follows good governance practices.

This is done through the monitoring of data on governance-related, as well as on other environmental and/or social factors and controversies, sourced from third party providers, through in-house research, and through engagement with the management of selected issuers on corporate governance and disclosure issues.



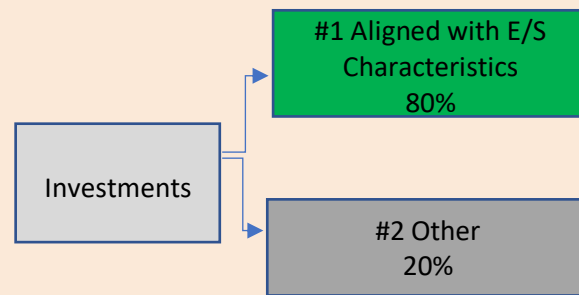
**Asset allocation**

describes the share of investments in specific assets.

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.

**What is the asset allocation planned for this financial product?**



**#1 Aligned with E/S characteristics** includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

**#2 Other** includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

At least 80% of the Fund's investments align with the environmental and social characteristics it promotes, through the application of the above-mentioned exclusions.

A maximum of 20% of the Fund may be invested in hedging and/or cash instruments, which do not align with any environmental or social characteristics.

These percentages are measured according to the value of the investments.

The Fund does not intend to make any sustainable investments within the meaning of the Sustainable Finance Disclosure Regulation ("SFDR").

● **How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?**

The Fund does not use derivatives to attain the environmental or social characteristics which it promotes.



## To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

Not applicable

### ● Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy<sup>1</sup>?

Yes:

In fossil gas     In nuclear energy

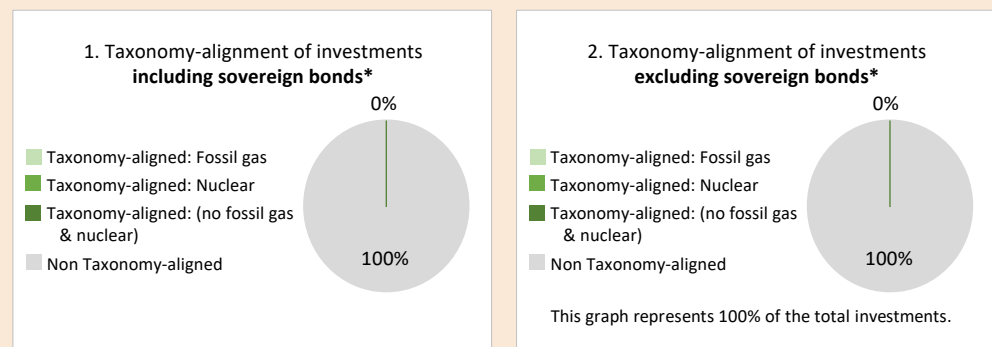
No

To comply with EU Taxonomy, the criteria for **fossil gas** include limitations on emission and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

**Transitional activities** are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

*The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.*



\* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures.

### ● What is the minimum share of investments in transitional and enabling activities?

Not applicable

<sup>1</sup> Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objective – see explanatory note in the left-hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.





### What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?

Not applicable



are sustainable investments with an environmental objective that **do not take into account** the criteria for environmentally sustainable economic activities under the EU Taxonomy.



### What is the minimum share of socially sustainable investments?

Not applicable



### What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?

The Fund may make investments in hedging and/or cash instruments. These are included in the “#2 Other” category. These instruments are not subject to environmental and/or social screening or any minimum environmental or social safeguards.



### Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?

Not applicable

**Reference benchmarks** are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.



### Where can I find more product specific information online?

More product-specific information can be found on the website:

[https://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite\\_msinvf\\_globalproperty\\_en.pdf](https://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite_msinvf_globalproperty_en.pdf)

**Pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852**

**Product name:**  
Global Quality Fund

**Legal entity identifier:**  
549300KY7ZHUESLHQ60

## Environmental and/or social characteristics

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**.

That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

**Does this financial product have a sustainable investment objective?**

<p><input checked="" type="radio"/> <input type="radio"/> <input type="checkbox"/> <b>Yes</b></p> <p><input type="checkbox"/> It will make a minimum of <b>sustainable investments with an environmental objective: ___%</b></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> </ul> <p><input type="checkbox"/> It will make a minimum of <b>sustainable investments with a social objective: ___%</b></p>	<p><input checked="" type="radio"/> <input type="radio"/> <input checked="" type="checkbox"/> <b>No</b></p> <p><input checked="" type="checkbox"/> It <b>promotes Environmental/Social (E/S) characteristics</b> and while it does not have as its objective a sustainable investment, it will have a minimum proportion of <u>10</u>% of sustainable investments</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input checked="" type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> <li><input checked="" type="checkbox"/> with a social objective</li> </ul> <p><input type="checkbox"/> It promotes E/S characteristics, but <b>will not make any sustainable investments</b></p>
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## What environmental and/or social characteristics are promoted by this financial product?

The Fund promotes the environmental characteristic of climate change mitigation by excluding investments in: (i) companies with any tie to fossil fuels; and (ii) companies in certain other energy intensive sectors. For the avoidance of any doubt, the Fund does not seek to make investments that contribute to climate change mitigation within the meaning of the EU Taxonomy.

In addition, the Fund considers social characteristics by applying binding exclusions on: (i) companies whose core business activity involves weapons or civilian firearms; and (ii) that have any tie to controversial weapons.

In addition, a proportion of the Fund's investments will be classified as sustainable investments through an assessment comprising three tests which include evaluating investee companies' (in respect of this Fund for the purpose of Appendix L each, a "Company", together the "Companies") net positive alignment with the UN Sustainable Development Goals ("SDGs").

The Fund has not designated a reference benchmark for the purpose of attaining its environmental or social characteristics.

Further details on the binding exclusions applied by the Fund may be found under section "What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?".

**Sustainability indicators** measure how the environmental or social characteristics promoted by the financial product are attained.

### ● *What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?*

#### 1. Environmental characteristics

Compliance with the environmental exclusionary screens is measured based on the exclusionary criteria and the percentage of the Fund's investments which breach the exclusionary screens.

#### 2. Social characteristics

Compliance with the social exclusionary screens is measured based on the exclusionary criteria and the percentage of the Fund's investments which breach the exclusionary screens.

#### 3. Sustainable investment

The Fund commits to invest a proportion of its assets in Companies classified as sustainable investments. The Fund classifies a Company as a sustainable investment using a framework based on three tests:

- i. **good governance:** this test seeks to ensure that all Companies are considered by the Investment Adviser to follow good governance practices to be included in the Fund's portfolio;
- ii. **do no significant harm ("DNSH"):** this test seeks to ensure that Companies classified as sustainable investments do not cause significant harm to any of the mandatory, SFDR-defined principal adverse impact ("PAI") indicators which are relevant to the Company. This test also seeks to ensure that Companies classified as sustainable investments are aligned with the minimum social safeguards including the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, including the principles and rights set out in the eight fundamental conventions identified in the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work and the International Bill of Human Rights; and

- iii. **positive contribution to environmental or social objective:** this test seeks to ensure that Companies classified as sustainable investments are classified based on their net positive alignment with the UN SDGs (which shall primarily be determined using alignment scores obtained from third party data providers).

Compliance with the sustainable investment commitment is measured by the percentage of the Fund's investments which pass all three tests. A minimum of 10% of the Fund's investments are expected to be invested in Companies classified as sustainable investments.

● ***What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?***

The positive contribution to environmental or social objective test applied by the Investment Adviser seeks to ensure that Companies classified as sustainable investments are classified based on their net positive alignment with the UN SDGs (which shall primarily be determined using alignment scores obtained from third party data providers). The UN SDGs include environmental (e.g. Climate Action or Life on Land) and social (e.g. Good Health and Well-Being) objectives. The third party data providers' alignment scores indicate whether companies in the providers' coverage universe have a net positive alignment across the UN SDGs, either through their products and services (e.g. a health care company's essential medical products may be positively aligned with the Good Health and Well-Being SDG), or through business practices such as policies, actions and targets aimed at aligning with one or more of the SDGs (e.g. a company with robust carbon reduction plans may align with the Climate Action SDG by reducing its own emissions, switching to renewable energy or by seeking emission reductions in its value chain by engaging with suppliers and/or through product design). More information on the UN SDGs can be found at: <https://www.undp.org/sustainable-development-goals>. The Investment Adviser recognises that the UN SDGs were written by Governments for Governments and therefore data that seeks to align corporate actions to the SDGs will not be perfectly representative.

The Investment Adviser classifies a Company as having a positive contribution to an environmental or social objective as simultaneously meeting three criteria assessed using third-party data: 1) having a net positive aggregate alignment score across all the SDGs (i.e. scores measuring positive alignment with individual SDGs have to, in total, be greater than the total of any negative alignment scores in the Investment Adviser's view), 2) having sufficient positive alignment (in the Investment Adviser's view) with at least one individual SDG and 3) not having any material mis-alignments on any of the SDGs (in the Investment Adviser's view).

In limited cases, and where it is satisfied that it is appropriate to do so based on its internal analysis (having regard to its engagements with the company or other data sources), the Investment Adviser may treat a Company as failing or passing its sustainable investment criteria, contrary to the position indicated by the third-party SDG alignment score. The Investment Adviser may do this when, for example, it considers the third-party SDG alignment data to be out of date or incorrect based on the Investment Adviser's own engagement efforts or research.

● ***How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?***

The do no significant harm ("DNSH") test applied by the Investment Adviser seeks to ensure that Companies classified as sustainable investments do not cause significant harm to any of the mandatory, SFDR-defined principal adverse impact ("PAI") indicators which are relevant to the Company. This test also seeks to ensure that Companies classified as sustainable investments are aligned with the minimum social safeguards including the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, including the principles and rights set out in the eight fundamental conventions identified in the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work and the International Bill of Human Rights.

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

– *How have the indicators for adverse impacts on sustainability factors been taken into account?*

The Fund gains data to assess the PAI indicators (listed below) from third-party providers as well as internal research. The Fund may use reasonable proxies for those PAIs for which the Investment Adviser considers that the data is not widely or reliably available (currently these are the ‘Unadjusted gender pay gap’, ‘Activities negatively affecting biodiversity sensitive areas’ and ‘Emissions to water’ indicators). These proxies will be kept under review and will be replaced by data from third-party data providers, when the Investment Adviser determines that sufficiently reliable data has become available.

PAI indicators:

**Investee companies**

1. GHG emissions
3. GHG intensity of investee companies
4. Exposure to companies active in the fossil sector
5. Share of non-renewable energy consumption and production
6. Energy consumption intensity per high impact climate sector
7. Activities negatively affecting biodiversity sensitive areas
8. Emissions to water
9. Hazardous waste ratio
10. Violations of UN Global Compact (“UNGC”) and OECD Guidelines for Multinational Enterprises
11. Lack of processes and compliance mechanisms to monitor compliance with the UNGC and OECD Guidelines for Multinational Enterprises
12. Unadjusted gender pay gap
13. Board gender diversity
14. Exposure to controversial weapons

To determine whether significant harm is caused, initial thresholds for each mandatory PAI indicator are generally set in two ways:

- for binary indicators (e.g. ‘Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises’), a binary pass/fail test is applied, based on the data;
- for indicators using quantifiable numerical data (e.g. ‘GHG intensity of investee companies’), the worst performers (based on their relative performance within the broader investable universe, which itself is limited to issuers for which data is available – subject to the exceptions noted below), are deemed to fail the initial test.

For both types of indicators, where data is not available, the investment is deemed to fail the initial test and cannot be regarded as a sustainable investment. However, in cases where the third-party data provider determines that a particular PAI indicator is not meaningful given the nature or the industry of the issuer, and therefore does not provide data on that PAI indicator, the investment is deemed to pass the initial test on the basis that the investment’s activities are unlikely to be causing significant harm to the environmental or social theme covered by that PAI indicator. For example, in the case of software companies with a limited physical presence, the expectation is that their activities are unlikely to have significant negative impacts on water quality, therefore the ‘emissions to water’ PAI is considered by the third-party provider to be not meaningful for that industry.

Instances in which the third-party data provider determines that a PAI indicator is not meaningful will be kept under periodic review by the Investment Adviser, in case the third-

party data provider subsequently deems the PAI indicator meaningful for the issuer (in which case the Investment Adviser will re-assess the issuer against the relevant PAI indicator data).

Additionally, the outcome of the initial test may be supplemented (as appropriate) by the Investment Adviser's internal qualitative assessments on significant harm (having regard to other data sources and/or its engagements with the investment) on one or more PAIs. For example, where the Investment Adviser considers that an issuer is taking appropriate and credible remedial actions to rectify its failings on a PAI, the issuer may still be considered a sustainable investment, subject to the Internal Adviser's ongoing review and tracking of the issuers' remedial actions.

As part of its long-term investment approach, the Investment Adviser also seeks to engage with company management teams and boards to encourage companies towards better ESG practices and to minimise or mitigate the principal adverse impacts of their activities on a materiality basis (i.e. if the Investment Adviser considers a particular PAI indicator to be materially relevant to the long-term sustainability of high returns on capital).

– *How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:*

As part of the Investment Adviser's do no significant harm ("DNSH") test, Companies will not be classified as sustainable investments if they fail to comply with the themes and values promoted by the OECD Guidelines for Multinational Enterprises or the UN Global Compact, or if they lack processes and compliance mechanisms to monitor compliance with the themes and values promoted by these global norms.

In each case, this assessment is based on information obtained from third-party data providers and/or internal assessments.

The Investment Adviser use the OECD Guidelines for Multinational Enterprises and the UN Global Compact as reasonable proxies.

*The EU Taxonomy sets out a "do not significant harm" principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.*

*The "do no significant harm" principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.*

*Any other sustainable investments must also not significantly harm any environmental or social objectives.*

Regulation requires that this document include these statements. However, for the avoidance of doubt, this Fund does not: (i) take into account the EU criteria for environmentally sustainable economic activities in the EU Taxonomy; or (ii) calculate its portfolio alignment with the EU Taxonomy. As such, the Fund is 0% aligned with the EU Taxonomy. The "do no significant harm" principle applies only to the portion of the Fund's investments that are sustainable investments.



**Does this financial product consider principal adverse impacts on sustainability factors?**

Yes

No

All the mandatory PAI indicators in the SFDR rules relevant to the Company are considered by the Investment Adviser (in the manner set out above) for the purposes of classifying some of the Fund's investments as sustainable investments.

PAIs are also considered with respect to the other investments of the Fund in the following manner:

- the environmental and social characteristics promoted by the Fund incorporate consideration of the following PAIs through binding exclusions:
  - PAI indicator 4: exposure to companies active in the fossil fuel sector;
  - PAI indicator 14: exposure to controversial weapons (using third-party data with a methodology that complies with the Sustainable Finance Disclosure Regulation (“SFDR”) definition);
- engagement and stewardship with issuers across all relevant mandatory PAI indicators in the SFDR rules (except on controversial weapons as they are excluded) on a materiality basis (i.e., if the Investment Adviser considers a particular PAI indicator to be materially relevant to the long-term sustainability of high returns on capital).

The Fund will report on the above matters in the Fund's periodic report.



**The investment strategy** guides investment decisions based on factors such as investment objectives and risk tolerance.

## What investment strategy does this financial product follow?

The Fund will seek to achieve its investment objective by investing primarily in equity securities of companies in the world's developed countries. The Fund will invest in a concentrated portfolio of high quality businesses with strong management that can achieve sustainably high returns on operating capital. The Investment Adviser believes that long term returns can best be achieved through compounding and downside protection and that high quality companies can generate superior returns for their owners over the long term. The search for high quality companies will focus on identifying companies with strong franchises, typically underpinned by hard to replicate intangible assets. Characteristics include resilient revenue streams, pricing power, typically low capital intensity and the opportunity for organic growth. The Investment Adviser aims to buy these stocks at attractive valuations relative to their cash-flow based fundamental values.

The Fund may also invest, on an ancillary basis in equity securities of companies located in emerging markets, including China A-Shares via Stock Connect, in preference shares, debt securities convertible into common shares or preference shares, warrants on securities and other equity linked securities. The Fund will limit the use of derivatives to hedging purposes only. The Fund may invest up to 10% of its net assets in China A-Shares via Stock Connect.

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 assesses relevant factors material to long-term sustainably high returns on operating capital including ESG factors and seeks to engage with company management teams as part of this.

Subject to the Fund's investment objective and its binding Article 8 characteristics (as explained above), the Investment Adviser retains discretion over which investments are selected for inclusion in the Fund.

The Fund is actively managed by the Investment Adviser on an ongoing basis in accordance with its investment strategy. The investment process is subject to regular review, as part of a control and monitoring framework implemented by the Investment Adviser and the Management Company. The Investment Adviser's Compliance, Risk and Portfolio Surveillance teams collaborate with the portfolio management team of this Fund to conduct regular portfolio/performance reviews and systemic checks to ensure compliance with portfolio investment objectives, investment and client guidelines, taking into account changing market conditions, information and strategy developments.

The environmental and social characteristics promoted by the Fund are incorporated within the investment guidelines and subject to ongoing monitoring by the Investment Adviser. Morgan Stanley Investment Management's Portfolio Surveillance team also codes the investment guidelines into the firm's surveillance system. The Portfolio Surveillance team uses an automated process to monitor adherence to investment guidelines, including pre- and post-trade guideline monitoring and exception-based screening, and informs the portfolio management team of this Fund of any possible guideline violations.

### ● **What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?**

#### 1. Environmental characteristics

The Fund promotes the environmental characteristic of climate change mitigation by excluding investments in any company that the Investment Adviser determines:

- to have any tie to fossil fuels (such as oil, gas and coal) as classified by the MSCI ESG Business Involvement Screening Research database ("MSCI ESG BISR");
- or any company that has been assigned the following sectors or industries under the MSCI Global Industry Classification Standards ("MSCI GICS"): energy, construction materials, utilities (excluding renewable electricity and water utilities), or metals and mining.

#### 2. Social characteristics



The Fund considers social characteristics by applying the following binding screens:

- the Fund’s investments shall not knowingly include any company whose core business activity involves the following, as classified by the MSCI ESG BISR database:
  - a. civilian firearms; or
  - b. weapons.
- the Fund shall also not invest in any company that is defined by the MSCI ESG BISR database to have any tie to controversial weapons.

Investments that are held by the Fund but become restricted because they breach the exclusionary criteria set out 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 details of the above exclusions can be found in the Fund’s exclusion policy which is available on the website: ([www.morganstanleyinvestmentfunds.com](http://www.morganstanleyinvestmentfunds.com) and on [www.morganstanley.com/im](http://www.morganstanley.com/im)).

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).

### 3. Sustainable investments

As noted above, the Fund also commits to invest a proportion of its assets in Companies classified as sustainable investments.

**Good governance** practices include sound management structures, employee relations, remuneration of staff and tax compliance.

● ***What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?***

Not applicable. No minimum reduction rate has been defined in relation to the Fund’s scope of investments.

● ***What is the policy to assess good governance practices of the investee companies?***

All Companies are assessed on their governance, and the investment process is focussed on identifying high quality companies that can sustain their high returns on operating capital over the long term, both for the Fund’s sustainable investments and for other investments which are aligned with the Fund’s environmental or social characteristics. Effective governance is important and governance criteria are therefore embedded within the investment process and considered as part of initial research and portfolio selection. On-going monitoring is facilitated through engagement with the Company as well as by using, where appropriate, company data, third party data and governance related controversy screens.. An investment has to be considered by the Investment Adviser to have good governance to be included within the portfolio.

In addition to meet the EU SFDR regulatory requirements, the Investment Adviser also has regard to third-party proxy indicators as considerations to assess four specific aspects of governance: sound management structures, employee relations, remuneration of staff and tax compliance. All companies in the Fund are assessed against these indicators. The Investment Adviser may include issuers that fail on one or more of these proxy indicators where (i) it considers that the third-party data is inaccurate or out of date; or (ii) it considers that, upon review, the issuer is exhibiting good governance practices overall (such that the results of the proxy indicator tests do not in fact indicate a material impact on good governance). In reaching this determination, the Investment Adviser may take into account any remedial actions being undertaken by the company.

The Investment Adviser also engages with companies on issues material to the sustainability of company returns on operating capital. Direct engagement with companies and boards on material ESG risks and opportunities, and other issues, plays a role in informing the Investment Adviser on the soundness of company management and whether it can maintain high returns on

operating capital while growing the business over the long term. Dialogue with companies on engagement topics can be prolonged and require multiple engagements.



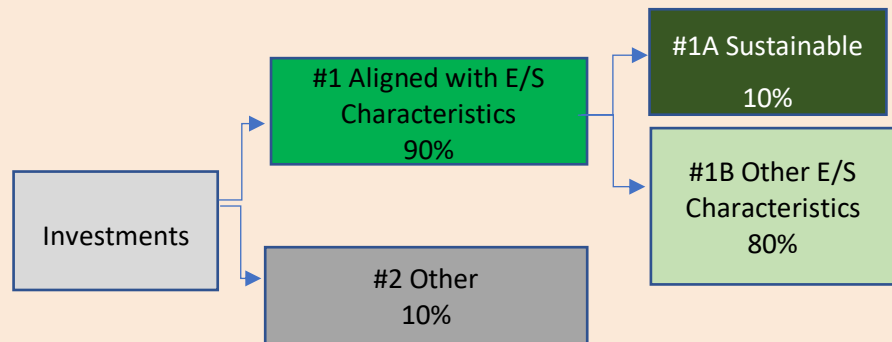
### Asset allocation

describes the share of investments in specific assets.

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.

## What is the asset allocation planned for this financial product?



**#1 Aligned with E/S characteristics** includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

**#2 Other** includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

The category **#1 Aligned with E/S characteristics** covers:

- The sub-category **#1A Sustainable** covers sustainable investments with environmental or social objectives.
- The sub-category **#1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.

The environmental and social exclusions are expected to apply to at least 90% of the portfolio. The Investment Adviser anticipates that the remainder of the Fund will be made up of investments held for ancillary liquidity, including cash and money market instruments, with this proportion not expected to comprise more than 10% of the Fund's assets. No minimum environmental or social safeguards are applied to such investments.

Under exceptional circumstances, the percentage of the Fund's assets that are made up of investments held for ancillary liquidity may temporarily fluctuate above the stated level for certain reasons including but not limited to market conditions or client inflows/outflows.

The Fund also expects a minimum of 10% of its assets to be classified as sustainable investments. Among these, the Fund expects a minimum of 1% of its assets to be classified as sustainable investments with an environmental objective and 1% as sustainable investments with a social objective which can both vary independently at any time.

All percentages are measured according to the value of the investments.

### ● **How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?**

Not applicable – the Fund does not use derivatives to attain its environmental or social characteristics.



## To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

Not applicable – the Investment Adviser does not does not take account of the EU Taxonomy in its management of the Fund and as such the Fund’s sustainable investments do not take into account the criteria for environmentally sustainable economic activities under the EU Taxonomy.

● **Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy<sup>1</sup>?**

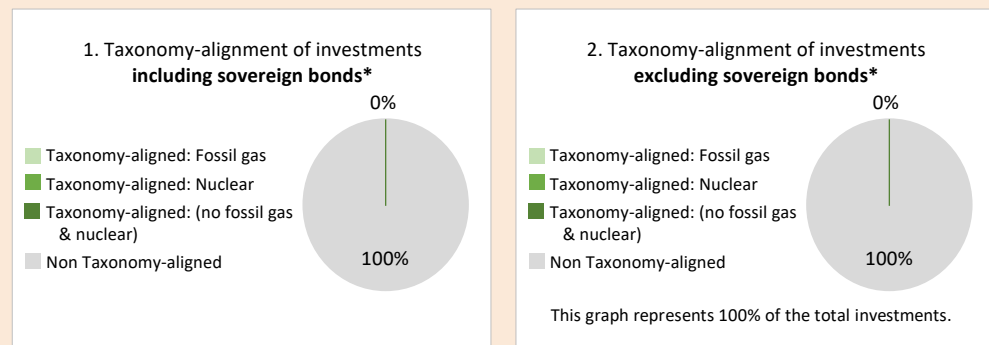
- Yes:  
 In fossil gas     In nuclear energy  
 No

To comply with EU Taxonomy, the criteria for **fossil gas** include limitations on emission and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

**Transitional activities** are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

*The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.*



\* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures.

● **What is the minimum share of investments in transitional and enabling activities?**

Not applicable – Although the Fund commits to invest in sustainable investments within the meaning of the SFDR, there is no commitment to a minimum share of investments in transitional and enabling activities.

<sup>1</sup> Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objective – see explanatory note in the left-hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.



are sustainable investments with an environmental objective that **do not take into account** the criteria for environmentally sustainable economic activities under the EU Taxonomy.

### What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?

A minimum of 10% of the Fund's assets are expected to comprise sustainable investments, as defined under the SFDR. Among these, the Fund expects a minimum of 1% of its assets to be classified as sustainable investments with an environmental objective and 1% as sustainable investments with a social objective which can both vary independently at any time. The Fund's assets that are classified as sustainable investments with an environmental objective do not take into account the criteria for environmentally sustainable economic activities under the EU Taxonomy. The EU Taxonomy does not comprehensively cover all industries and sectors, or even all environmental objectives. This financial product invests in Companies classified as sustainable investments within sectors that may not be covered by the EU Taxonomy currently. Accordingly, the Investment Adviser uses its own methodology to determine whether certain investments are environmentally sustainable in accordance with the SFDR sustainable investment test, and then the Investment Adviser invests part of the Fund in such assets.



### What is the minimum share of socially sustainable investments?

As noted above, a minimum of 10% of the Fund's assets are expected to be classified as sustainable investments. Among these, the Fund expects a minimum of 1% of its assets to be classified as sustainable investments with an environmental objective and 1% as sustainable investments with a social objective which can both vary independently at any time.



### What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?

This Fund holds cash and money market instruments for ancillary liquidity. These are included in the “#2 Other” category. No minimum environmental or social safeguards are applied to such investments.



### Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?

Not applicable

**Reference benchmarks** are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.



### Where can I find more product specific information online?

More product-specific information can be found on the website:

[https://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite\\_msinvf\\_globalquality\\_en.pdf](https://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite_msinvf_globalquality_en.pdf)

**Pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852**

**Product name:**  
Global Sustain Fund

**Legal entity identifier:**  
549300QP5BPQ4JSACK62

## Environmental and/or social characteristics

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**.

That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

**Does this financial product have a sustainable investment objective?**

<input checked="" type="radio"/> <input type="radio"/> <input type="checkbox"/> <b>Yes</b>	<input type="radio"/> <input type="radio"/> <input checked="" type="checkbox"/> <b>No</b>
<input type="checkbox"/> It will make a minimum of <b>sustainable investments with an environmental objective: ___%</b> <ul style="list-style-type: none"> <li><input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> </ul> <input type="checkbox"/> It will make a minimum of <b>sustainable investments with a social objective: ___%</b>	<input checked="" type="checkbox"/> It <b>promotes Environmental/Social (E/S) characteristics</b> and while it does not have as its objective a sustainable investment, it will have a minimum proportion of <u>20</u> % of sustainable investments <ul style="list-style-type: none"> <li><input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input checked="" type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> <li><input checked="" type="checkbox"/> with a social objective</li> </ul> <input type="checkbox"/> It promotes E/S characteristics, but <b>will not make any sustainable investments</b>



## What environmental and/or social characteristics are promoted by this financial product?

The Fund promotes the environmental characteristic of climate change mitigation by excluding investments in: (i) companies with any tie to fossil fuels, (ii) companies in certain other energy intensive sectors; (iii) companies for which GHG emissions intensity estimates are not available and/or cannot be estimated; and (iv) by applying a greenhouse gas (“GHG”) emissions intensity filter. The Fund promotes this characteristic by also seeking to achieve a GHG emissions intensity for the portfolio that is significantly lower than that of the reference universe. The reference universe is defined, only for the purposes of comparing GHG emissions intensity, as the MSCI AC World Index.

For the avoidance of any doubt, the Fund does not seek to make investments that contribute to climate change mitigation within the meaning of the EU Taxonomy.

In addition, the Fund considers social characteristics by applying binding exclusions on: (i) companies whose core business activity involves weapons, civilian firearms, tobacco, alcohol, adult entertainment or gambling; and (ii) that have any tie to controversial weapons. In addition, a proportion of the Fund’s investments will be classified as sustainable investments through an assessment comprising three tests, which includes evaluating investee companies’ (in respect of this Fund for the purpose of Appendix L each, a “Company”, together the “Companies” ) net positive alignment with the UN Sustainable Development Goals (“SDGs”).

The Fund has not designated a reference benchmark for the purpose of attaining its environmental or social characteristics.

Further details on the binding exclusions applied by the Fund may be found under section “What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?”.

**Sustainability indicators** measure how the environmental or social characteristics promoted by the financial product are attained.

### ● **What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?**

#### 1. Environmental characteristics

The Investment Adviser measures and monitors compliance with the GHG emissions intensity characteristic using the following sustainability indicators (as indicated below). The table below specifies the sustainability indicators, the detail of the metric and the methodology applied.

Sustainability indicator	Metric	Methodology
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<p>GHG emissions intensity of company sales (metric tonnes of GHG per \$1m of sales).</p>	<p>GHG emissions intensity of company sales as measured by Scope 1 and Scope 2 emissions.</p> <p>Scope 1 emissions: emissions generated from sources that are controlled by the company that issues the underlying securities.</p> <p>Scope 2 emissions: emissions from the consumption of purchased electricity, steam, or other sources of energy generated upstream from the company that issues the underlying securities.</p>	<p>A weighted average GHG emissions intensity calculation is made for the portfolio and compared against the MSCI AC World Index reference universe. The Fund aims to have a GHG emissions intensity that is significantly lower than that of the reference universe.</p> <p>The GHG emissions intensity limit is applied to the portfolio and not individual holdings.</p>
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Compliance with the environmental exclusionary screens is measured based on the exclusionary criteria and the percentage of the Fund's investments which breach the exclusionary screens.

## 2. Social characteristics

Compliance with the social exclusionary screens is measured based on the exclusionary criteria and the percentage of the Fund's investments which breach the exclusionary screens.

## 3. Sustainable investments

The Fund commits to invest a proportion of its assets in Companies classified as sustainable investments. The Fund classifies a Company as a sustainable investment using a framework based on three tests:

- i. **good governance:** this test seeks to ensure that all Companies are considered by the Investment Adviser to follow good governance practices to be included in the Fund's portfolio;
- ii. **do no significant harm ("DNSH"):** this test seeks to ensure that Companies classified as sustainable investments do not cause significant harm to any of the mandatory, SFDR-defined principal adverse impact ("PAI") indicators which are relevant to the Company. This test also seeks to ensure that Companies classified as sustainable investments are aligned with the minimum social safeguards including the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, including the principles and rights set out in the eight fundamental conventions identified in the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work and the International Bill of Human Rights; and
- iii. **positive contribution to environmental or social objective:** this test seeks to ensure that Companies classified as sustainable investments are classified based on their net positive alignment with the UN SDGs (which shall primarily be determined using alignment scores obtained from third party data providers).

Compliance with the sustainable investment commitment is measured by the percentage of the Fund's investments which pass all three tests. A minimum of 20% of the Fund's investments are expected to be invested in Companies classified as sustainable investments.

● ***What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?***

The positive contribution to environmental or social objective test applied by the Investment Adviser seeks to ensure that Companies classified as sustainable investments are classified based on their net positive alignment with the UN SDGs (which shall primarily be determined using alignment scores obtained from third party data providers). The UN SDGs include environmental (e.g., Climate Action or Life on Land) and social (e.g. Good Health and Well-Being) objectives. The third party data providers' alignment scores indicate whether companies in the providers' coverage universe have a net positive alignment across the UN SDGs, either through their products and services (e.g. a health care company's essential medical products may be positively aligned with the Good Health and Well-Being SDG), or through business practices such as policies, actions and targets aimed at aligning with one or more of the SDGs (e.g. a company with robust carbon reduction plans may align with the Climate Action SDG by reducing its own emissions, switching to renewable energy or by seeking emission reductions in its value chain by engaging with suppliers and/or through product design). More information on the UN SDGs can be found at: <https://www.undp.org/sustainable-development-goals>. The Investment Adviser recognises that the UN SDGs were written by Governments for Governments and therefore data that seeks to align corporate actions to the SDGs will not be perfectly representative.

The Investment Adviser classifies a Company as having a positive contribution to an environmental or social objective as simultaneously meeting three criteria assessed using third-party data: 1) having a net positive aggregate alignment score across all the SDGs (i.e. scores measuring positive alignment with individual SDGs have to, in total, be greater than the total of any negative alignment scores in the Investment Adviser's view), 2) having sufficient positive alignment (in the Investment Adviser's view) with at least one individual SDG and 3) not having any material mis-alignments on any of the SDGs (in the Investment Adviser's view).

In limited cases, and where it is satisfied that it is appropriate to do so based on its internal analysis (having regard to its engagements with the company or other data sources), the Investment Adviser may treat a Company as failing or passing its sustainable investment criteria, contrary to the position indicated by the third-party SDG alignment score. The Investment Adviser may do this when, for example, it considers the third-party SDG alignment data to be out of date or incorrect based on the Investment Adviser's own engagement efforts or research.

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

● ***How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?***

The do no significant harm ("DNSH") test applied by the Investment Adviser seeks to ensure that Companies classified as sustainable investments do not cause significant harm to any of the mandatory, SFDR-defined principal adverse impact ("PAI") indicators which are relevant to the Company. This test also seeks to ensure that Companies classified as sustainable investments are aligned with the minimum social safeguards including the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, including the principles and rights set out in the eight fundamental conventions identified in the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work and the International Bill of Human Rights.

– *How have the indicators for adverse impacts on sustainability factors been taken into account?*

The Fund gains data to assess the PAI indicators (listed below) from third-party providers as well as internal research. The Fund may use reasonable proxies for those PAIs for which the Investment Adviser considers that the data is not widely or reliably available (currently these are the ‘Unadjusted gender pay gap’, ‘Activities negatively affecting biodiversity sensitive areas’ and ‘Emissions to water’ indicators). These proxies will be kept under review and will be replaced by data from third-party data providers, when the Investment Adviser determines that sufficiently reliable data has become available.

PAI indicators:

**Investee companies**

1. GHG emissions
3. GHG intensity of investee companies
4. Exposure to companies active in the fossil sector
5. Share of non-renewable energy consumption and production
6. Energy consumption intensity per high impact climate sector
7. Activities negatively affecting biodiversity sensitive areas
8. Emissions to water
9. Hazardous waste ratio
10. Violations of UN Global Compact (“UNGC”) and OECD Guidelines for Multinational Enterprises
11. Lack of processes and compliance mechanisms to monitor compliance with the UNGC and OECD Guidelines for Multinational Enterprises
12. Unadjusted gender pay gap
13. Board gender diversity
14. Exposure to controversial weapons

To determine whether significant harm is caused, initial thresholds for each mandatory PAI indicator are generally set in two ways:

- for binary indicators (e.g. ‘Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises’), a binary pass/fail test is applied, based on the data;
- for indicators using quantifiable numerical data (e.g. ‘GHG intensity of investee companies’), the worst performers (based on their relative performance within the broader investable universe, which itself is limited to issuers for which data is available – subject to the exceptions noted below), are deemed to fail the initial test.

For both types of indicators, where data is not available, the investment is deemed to fail the initial test and cannot be regarded as a sustainable investment. However, in cases where the third-party data provider determines that a particular PAI indicator is not meaningful given the nature or the industry of the issuer, and therefore does not provide data on that PAI indicator, the investment is deemed to pass the initial test on the basis that the investment’s activities are unlikely to be causing significant harm to the environmental or social theme covered by that PAI indicator. For example, in the case of software companies with a limited physical presence, the expectation is that their activities are unlikely to have significant negative impacts on water quality, therefore the ‘emissions to water’ PAI is considered by the third-party provider to be not meaningful for that industry.

Instances in which the third-party data provider determines that a PAI indicator is not meaningful will be kept under periodic review by the Investment Adviser, in case the third-party data provider subsequently deems the PAI indicator meaningful for the issuer (in which case the Investment Adviser will re-assess the issuer against the relevant PAI indicator data).

Additionally, the outcome of the initial test may be supplemented (as appropriate) by the Investment Adviser’s internal qualitative assessments on significant harm (having regard to other data sources and/or its engagements with the investment) on one or more PAIs. For example, where the Investment Adviser considers that an issuer is taking appropriate and

credible remedial actions to rectify its failings on a PAI, the issuer may still be considered a sustainable investment, subject to the Internal Adviser's ongoing review and tracking of the issuers' remedial actions.

As part of its long-term investment approach, the Investment Adviser also seeks to engage with company management teams and boards to encourage companies towards better ESG practices and to minimise or mitigate the principal adverse impacts of their activities on a materiality basis (i.e. if the Investment Adviser considers a particular PAI indicator to be materially relevant to the long-term sustainability of high returns on capital).

– *How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:*

As part of the Investment Adviser's do no significant harm ("DNSH") test, Companies will not be classified as sustainable investments if they fail to comply with the themes and values promoted by the OECD Guidelines for Multinational Enterprises or the UN Global Compact, or if they lack processes and compliance mechanisms to monitor compliance with the themes and values promoted by these global norms.

In each case, this assessment is based on information obtained from third-party data providers and/or internal assessments.

The Investment Adviser use the OECD Guidelines for Multinational Enterprises and the UN Global Compact as reasonable proxies.

*The EU Taxonomy sets out a "do not significant harm" principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.*

*The "do no significant harm" principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.*

*Any other sustainable investments must also not significantly harm any environmental or social objectives.*

*Regulation requires that this document include these statements. However, for the avoidance of doubt, this Fund does not: (i) take into account the EU criteria for environmentally sustainable economic activities in the EU Taxonomy; or (ii) calculate its portfolio alignment with the EU Taxonomy. As such, the Fund is 0% aligned with the EU Taxonomy. The "do no significant harm" principle applies only to the portion of the Fund's investments that are sustainable investments.*



### Does this financial product consider principal adverse impacts on sustainability factors?

- Yes  
 No

All the mandatory PAI indicators in the SFDR rules relevant to the Company are considered by the Investment Adviser (in the manner set out above) for the purposes of classifying some of the Fund's investments as sustainable investments.

PAIs are also considered with respect to the other investments of the Fund in the following manner:

- the environmental and social characteristics promoted by the Fund incorporate consideration of the following PAIs through binding exclusions:

- PAI indicator (3): GHG intensity of investee companies (through restrictions based on Scope 1 and 2 GHG intensity);
- PAI indicator (4): Exposure to companies active in the fossil fuel sector;
- PAI indicator (14): Exposure to controversial weapons (using third-party data with a methodology that complies with the SFDR definition);
- engagement and stewardship with issuers across all relevant mandatory PAI indicators in the SFDR rules (except on controversial weapons as they are excluded) on a materiality basis (i.e. if the Investment Adviser considers a particular PAI indicator to be materially relevant to the long-term sustainability of high returns on capital)

The Investment Adviser will report on the above matters in the Fund's periodic report.



**The investment strategy** guides investment decisions based on factors such as investment objectives and risk tolerance.

### What investment strategy does this financial product follow?

The Fund will seek to achieve its investment objective by investing primarily in equity securities, including depositary receipts, of issuers located in any jurisdiction. The Fund may, on an ancillary basis, invest in equity securities of companies located in emerging markets, including China A-Shares via Stock Connect, as well as in preference shares, debt securities convertible into common shares or preference shares, warrants on securities and other equity linked securities.

The Investment Adviser seeks to invest in a concentrated portfolio of high quality, strong franchises characterised by sustainably high returns on operating capital, hard to replicate intangible assets including brands, networks, licences and patents, and pricing power. 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 assesses relevant factors material to long-term sustainably high returns on operating capital including ESG factors and seeks to engage with company management teams as part of this.

Subject to the Fund's investment objective, investment restrictions and its binding Article 8 characteristics (as explained above), the Investment Adviser retains discretion over which investments are selected for inclusion in the Fund.

The Fund is actively managed by the Investment Adviser on an ongoing basis in accordance with its investment strategy. The investment process is subject to regular review, as part of a control and monitoring framework implemented by the Investment Adviser and the Management Company. The Investment Adviser's Compliance, Risk and Portfolio Surveillance teams collaborate with the portfolio management team in respect of this Fund to conduct regular portfolio/performance reviews and systemic checks to ensure compliance with portfolio investment objectives, investment and client guidelines, taking into account changing market conditions, information and strategy developments.

The environmental and social characteristics promoted by the Fund are incorporated within the investment guidelines and subject to ongoing monitoring by the Investment Adviser. Morgan Stanley Investment Management's Portfolio Surveillance team also codes the investment guidelines into the firm's surveillance system. The Portfolio Surveillance team uses an automated process to monitor adherence to investment guidelines, including pre- and post-trade guideline monitoring and exception-based screening, and informs the portfolio management team in respect of this Fund of any possible guideline violations.

● ***What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?***

**1. Environmental characteristics**

The Fund promotes the environmental characteristic of climate change mitigation by excluding investments in any company that the Investment Adviser determines:

- to have any tie to fossil fuels (such as oil, gas and coal) as classified by the MSCI ESG Business Involvement Screening Research database (“MSCI ESG BISR”);
- or any company that has been assigned the following sectors or industries under the MSCI Global Industry Classification Standards (“MSCI GICS”): energy, construction materials, utilities (excluding renewable electricity and water utilities), metals and mining; and
- for which GHG emissions intensity estimates are not available and/or cannot be estimated (in the Investment Adviser’s discretion);

The remaining issuers are then ranked according to their GHG emissions intensity estimates, and those with the highest intensity excluded from the reference universe, with the view to ensuring that these binding criteria should collectively result in a reduction of the Fund’s reference universe by at least 20% in a significantly engaging manner.

The Fund promotes the environmental characteristic of climate change mitigation by also seeking to achieve a GHG emissions intensity for the portfolio that is significantly lower than that of the MSCI AC World Index.

**2. Social characteristics**

The Fund considers social characteristics by applying the following binding screens :

Firstly, the Fund screens out any company that has been assigned any of the following MSCI GICS sectors or industries:

- Brewers
- Casinos & Gaming
- Distillers & Vintners
- Tobacco

Further to this, the Fund’s investments shall not knowingly include any company whose core business activity includes the following, as classified by the MSCI ESG BISR database:

- a. tobacco;
- b. alcohol;
- c. adult entertainment;
- d. gambling;
- e. civilian firearms; or
- f. weapons.
- the Fund shall also not invest in any company that is defined by the MSCI ESG BISR database to have any tie to controversial weapons.
- investments that are held by the Fund but become restricted because they breach the exclusionary criteria set out 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 details of the above exclusions can be found in the Fund’s exclusion Restriction Screening policy which is available on the website ([www.morganstanleyinvestmentfunds.com](http://www.morganstanleyinvestmentfunds.com)) and on [www.morganstanley.com/im](http://www.morganstanley.com/im)).

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).

### 3. Sustainable investments

As noted above, the Fund also commits to invest a proportion of its assets in Companies classified as sustainable investments.

**Good governance** practices include sound management structures, employee relations, remuneration of staff and tax compliance.

- ***What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?***

The binding GHG-based emissions intensity criteria summarised in the previous question should collectively result in a reduction of the reference universe by at least 20%.

- ***What is the policy to assess good governance practices of the investee companies?***

All Companies are assessed on their governance, and the investment process is focussed on identifying high quality companies that can sustain their high returns on operating capital over the long term both for the Fund's sustainable investments and for other investments which are aligned with the Fund's environmental or social characteristics. Effective governance is important and governance criteria are therefore embedded within the investment process and considered as part of initial research, and portfolio selection. On-going monitoring is facilitated through engagement with the Company as well as by using, where appropriate, company data, third party data and governance related controversy screens. An investment has to be considered by the Investment Adviser to have good governance to be included within the portfolio.

In addition to meet the EU SFDR regulatory requirements, the Investment Adviser also has regard to third-party proxy indicators as considerations to assess four specific aspects of governance: sound management structures, employee relations, remuneration of staff and tax compliance. All Companies are assessed against these indicators. The Investment Adviser may include issuers that fail on one or more of these proxy indicators where (i) it considers that the third party data is inaccurate or out of date; or (ii) it considers that, upon review, the issuer is exhibiting good governance practices overall (such that the results of the proxy indicator tests do not in fact indicate a material impact on good governance). In reaching this determination, the Investment Adviser may take into account any remedial actions being undertaken by the company.

The Investment Adviser also engages with companies on issues material to the sustainability of company returns on operating capital. Direct engagement with companies and boards on material ESG risks and opportunities, and other issues, plays a role in informing the Investment Adviser on the soundness of company management and whether it can maintain high returns on operating capital while growing the business over the long term. Dialogue with companies on engagement topics can be prolonged and require multiple engagements.



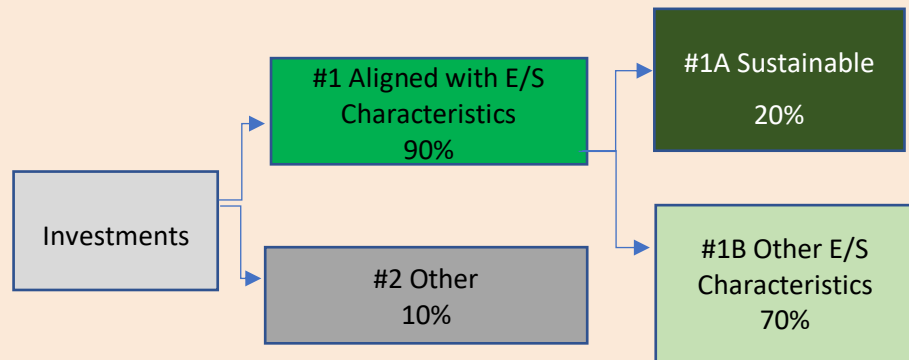
### Asset allocation

describes the share of investments in specific assets.

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies

## What is the asset allocation planned for this financial product?



**#1 Aligned with E/S characteristics** includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

**#2 Other** includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

The category **#1 Aligned with E/S characteristics** covers:

- The sub-category **#1A Sustainable** covers sustainable investments with environmental or social objectives.
- The sub-category **#1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.

The environmental and social exclusions are expected to apply to at least 90% of the portfolio. The Investment Adviser anticipates that the remainder of the Fund will be made up of investments held for ancillary liquidity, including cash and money market instruments, with this proportion not expected to comprise more than 10% of the Fund's assets. No minimum environmental or social safeguards are applied to such investments.

Under exceptional circumstances, the percentage of the Fund's assets that are made up of investments held for ancillary liquidity may temporarily fluctuate above the stated level for certain reasons including but not limited to market conditions or client inflows/outflows.

The Fund also expects a minimum of 20% of its assets to be classified as sustainable investments. Among these, the Fund expects a minimum of 1% of its assets to be classified as sustainable investments with an environmental objective and 1% as sustainable investments with a social objective which can both vary independently at any time.

All percentages are measured according to the value of the investments.

### ● **How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?**

Not applicable – the Fund does not use derivatives to attain its environmental or social characteristics.





## To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

Not applicable – the Investment Adviser does not take account of the EU Taxonomy in its management of the Fund and as such the Fund’s sustainable investments do not take into account the criteria for environmentally sustainable economic activities under the EU Taxonomy.

### ● Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy<sup>1</sup>?

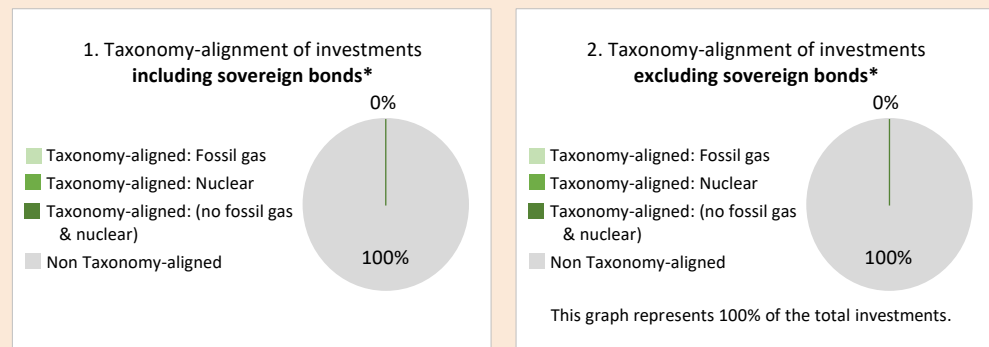
- Yes:  
 In fossil gas     In nuclear energy  
 No

To comply with EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

**Transitional activities** are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

*The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.*



\* For the purpose of these graphs, ‘sovereign bonds’ consist of all sovereign exposures.

### ● What is the minimum share of investments in transitional and enabling activities?

Not applicable – Although the Fund commits to invest in sustainable investments within the meaning of the SFDR, there is no commitment to a minimum share of investments in transitional and enabling activities.

<sup>1</sup> Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change (“climate change mitigation”) and do not significantly harm any EU Taxonomy objective – see explanatory note in the left-hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.



are sustainable investments with an environmental objective that **do not take into account** the criteria for environmentally sustainable economic activities under the EU Taxonomy.

### What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?

A minimum of 20% of the Fund's assets are expected to be classified as sustainable investments, as defined under the SFDR. Among these, the Fund expects a minimum of 1% of its assets to be classified as sustainable investments with an environmental objective and 1% as sustainable investments with a social objective which can both vary independently at any time.

The Fund's assets that are classified as sustainable investments with an environmental objective do not take into account the criteria for environmentally sustainable economic activities under the EU Taxonomy. The EU Taxonomy does not comprehensively cover all industries and sectors, or even all environmental objectives. This financial product invests in Companies classified as sustainable investments within sectors that may not be covered by the EU Taxonomy currently. Accordingly, the Investment Adviser uses its own methodology to determine whether certain investments are environmentally sustainable in accordance with the SFDR sustainable investment test, and then the Investment Adviser invests part of the Fund in such assets.



### What is the minimum share of socially sustainable investments?

As noted above, a minimum of 20% of the Fund's assets are expected to be classified as sustainable investments. Among these, the Fund expects a minimum of 1% of its assets to be classified as sustainable investments with an environmental objective and 1% as sustainable investments with a social objective which can both vary independently at any time.



### What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?

This fund holds cash and money market instruments for ancillary liquidity. These are included in the “#2 Not sustainable” category. No minimum environmental or social safeguards are applied to such investments.



**Reference benchmarks** are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.

### Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?

Not applicable



### Where can I find more product specific information online?

More product-specific information can be found on the website:

[https://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite\\_msinvf\\_globalsustain\\_en.pdf](https://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite_msinvf_globalsustain_en.pdf)

**Pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852**

**Product name:**  
Japanese Equity Fund

**Legal entity identifier:**  
549300Q8BUGJZ05GQE69

## Environmental and/or social characteristics

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**.

That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

**Does this financial product have a sustainable investment objective?**

<p><input checked="" type="radio"/> <input type="radio"/> <input type="checkbox"/> <b>Yes</b></p> <p><input type="checkbox"/> It will make a minimum of <b>sustainable investments with an environmental objective: ___%</b></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> </ul> <p><input type="checkbox"/> It will make a minimum of <b>sustainable investments with a social objective: ___%</b></p>	<p><input checked="" type="radio"/> <input type="radio"/> <input checked="" type="checkbox"/> <b>No</b></p> <p><input type="checkbox"/> It <b>promotes Environmental/Social (E/S) characteristics</b> and while it does not have as its objective a sustainable investment, it will have a minimum proportion of ___% of sustainable investments</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> with a social objective</li> </ul> <p><input checked="" type="checkbox"/> It promotes E/S characteristics, but <b>will not make any sustainable investments</b></p>
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## What environmental and/or social characteristics are promoted by this financial product?

**ESG tilt:** The Fund promotes environmental and social characteristics by aiming to maintain a higher ESG score at portfolio level than the MSCI Japan Index, according to a proprietary ESG scoring methodology developed by the Investment Adviser<sup>1</sup>.

**Exclusions:** The Fund promotes:

- the environmental characteristic of contributing towards climate change mitigation by excluding companies involved in thermal coal mining and generation; and
- the social characteristic of avoiding investments in certain activities which can cause harm to human health and wellbeing.

The Fund also contributes to environmental and social themes by avoiding investments in issuers which have experienced severe ESG controversies (and no appropriate remedial action has taken place), or which have failed to adhere to certain international norms.

Further detail regarding the Investment Adviser's ESG scoring methodology and on the nature of these exclusions is set out in response to the question '*What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?*'.

No reference benchmark has been designated for the purpose of attaining the environmental and social characteristics promoted by the Fund.

Unless otherwise noted, references to the Investment Adviser refer to the Investment Adviser of the Fund and/or any Sub-Investment Advisers engaged for management of the Fund (as appropriate).

**Sustainability indicators** measure how the environmental or social characteristics promoted by the financial product are attained.

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

### ● **What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?**

**ESG tilt:** The sustainability indicator is that the aggregate portfolio level ESG score is higher than that of the MSCI Japan Index, according to the Investment Adviser's proprietary ESG scoring methodology.

**Exclusions:** The sustainability indicator used to measure the attainment of the Fund's environmental and social characteristics is the proportion of the Fund invested in securities that violate any of the exclusion criteria. The relevant sustainability indicator is therefore that 0% of the Fund's investments are in violation of the Fund's Restriction Screening Policy.

The indicators are measured using third-party data and, with respect to ESG scoring, the Investment Adviser's qualitative evaluation of investee companies.

### ● **What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?**

Not applicable

### ● **How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?**

Not applicable

- *How have the indicators for adverse impacts on sustainability factors been taken into account?*

Not applicable

- *How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:*

Not applicable

*The EU Taxonomy sets out a “do not significant harm” principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.*

*The “do no significant harm” principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.*

*Any other sustainable investments must also not significantly harm any environmental or social objectives.*

Regulation requires that this document include these statements. However, for the avoidance of doubt, this Fund does not: (i) take into account the EU criteria for environmentally sustainable economic activities in the EU Taxonomy; or (ii) calculate its portfolio alignment with the EU Taxonomy. As such, the Fund is 0% aligned with the EU Taxonomy. The “do no significant harm” principle applies only to the portion of the Fund’s investments that are sustainable investments.



### Does this financial product consider principal adverse impacts on sustainability factors?

- Yes  
 No

The Fund considers some of the principal adverse impacts (“PAI”) indicators on sustainability factors through the Fund’s exclusions, as follows:

- The Fund excludes companies which receive a certain percentage of their revenue from thermal coal mining and generation. The Fund therefore partly considers PAI indicator 4: exposure to companies active in the fossil fuel sector.
- The Fund excludes companies which have committed violations of the UN Global Compact principles and Organisation for Economic Cooperation and Development (“OECD”) Guidelines for Multinational Enterprises. The Fund therefore considers PAI indicator 10: violations of UN Global Compact principles and OECD Guidelines for Multinational Enterprises.
- The Fund excludes companies which have any exposure to controversial weapons. The Fund therefore considers the PAI indicator 14: exposure to controversial weapons.

In addition, the Investment Adviser also engages with companies on the following PAIs on a materiality basis (i.e., if the Investment Adviser considers a particular PAI indicator to be materially relevant to, or impacted by, the activities of the issuer):

- PAI indicator 1: GHG emissions;
- PAI indicator 2: carbon footprint;

- PAI indicator 3: GHG intensity of investee companies;
- PAI indicator 5: share of non-renewable energy consumption and production;
- PAI indicator 6: energy consumption intensity per high impact climate sector; and
- PAI indicator 13: board gender diversity.

The Fund will make information available on how it has considered PAIs in its periodic reports to investors.



**The investment strategy** guides investment decisions based on factors such as investment objectives and risk tolerance.

## What investment strategy does this financial product follow?

The Fund primarily invests in the equity securities of companies that are located, or conduct most of their business, in Japan; and which meet the Investment Adviser's ESG criteria while integrating ESG characteristics by maintaining higher sustainability scores at the portfolio level than the MSCI Japan Index. In actively managing the Fund, the Investment Adviser uses fundamental analysis to identify companies that appear to have attractive valuations. As part of the Investment Adviser's bottom-up research process, and in its engagement with companies, the Investment Adviser incorporates an assessment of sustainability-related risks into the assessment process to determine impacts on the value of a security or portfolio. These criteria may include, but are not limited to, ESG themes such as climate change, human rights and diversity, health and safety, governance, and disclosure, which the Investment Adviser considers as "material ESG issues".

The investment process is subject to regular review, as part of a control and monitoring framework implemented by the Investment Adviser, the Sub-Investment Adviser and the Management Company. The Sub-Investment Adviser's Risk Management Division, which is independent from the investment team, monitors compliance with the Investment Guidelines of the Fund on a daily basis. The Risk Management Division reports its monitoring results monthly to the Sub-Investment Adviser's Investment Management Committee and proactively engages with the investment team, if necessary.

Various functions within the Investment Adviser and Management Company monitor compliance with the strategy on a continuous basis. The Management Company's Investment Oversight team and the Investment Adviser's Compliance, Risk and Portfolio Surveillance teams collaborate with investment teams to conduct regular portfolio/performance reviews and systematic checks to ensure compliance with portfolio investment objectives, investment and client guidelines, taking into account changing market conditions, information and strategy developments

### ● **What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?**

**ESG tilt:** The Fund aims to maintain a higher ESG score at portfolio level than the MSCI Japan Index, according to a proprietary ESG scoring methodology developed by the Investment Adviser. The Investment Adviser monitors the attainment of the environmental and social characteristics promoted by the Fund by monitoring the Fund's ESG score against that of the MSCI Japan Index. The proprietary ESG scoring methodology developed by the Investment Adviser is based on external ESG data provided by third party vendors as well as the Investment Adviser's qualitative evaluation of investee companies. To determine the customized ESG score for a company, an industry-adjusted score, provided by a third-party data provider as determined by the Investment Adviser, is used as a quantitative base to reflect the company's ESG performance relative to the standards and performance of the company's industry peers. The Investment Adviser then adjusts this score based on their own qualitative assessment and expectations of how a company's ESG activities may improve corporate value, considering the following criteria:

- Attitude to Engagement;

- ESG Commitment;
- ESG Disclosure;
- Business Strategy including ESG;
- Business Risks from an ESG viewpoint; and
- Expectation for change.

The ESG scores of the Fund's investments are then aggregated at the portfolio level and monitored daily against the ESG score for the MSCI Japan Index, which may be subject to similar adjustment by the Investment Adviser based on its own qualitative assessment as described above.

**Exclusions:** The Fund applies a binding screening process to exclude companies:

- which generate 10% or more of their revenue from thermal coal mining and/ or 10% or more of their revenue from thermal coal power generation;
- which generate 5% or more of their revenues from the supply of key products necessary for the production of tobacco products, such as filters, or which directly manufacture tobacco products;
- which generate 5% or more of their revenue from producing adult entertainment;
- which generate 5% or more of their revenues from producing civilian firearms;
- which manufacture whole weapons systems, intended use components, or are a majority owner, or majority owned by, a controversial weapons company, including cluster munitions;
- which derive 5% or more of their revenue from gambling activities;
- which have experienced severe ESG controversies where appropriate remedial action has not been taken in the view of the Investment Adviser; or
- which fail to adhere to international norms, including the UN Guiding Principles, UN Global Compact, the OECD Guidelines for Multinational Enterprises and the International Labour Organization's fundamental principles.

The details of the above exclusions can be found in the Restriction Screening Policy which is available on the Company's website ([www.morganstanleyinvestmentfunds.com](http://www.morganstanleyinvestmentfunds.com)) and on [www.morganstanley.com/im](http://www.morganstanley.com/im).

**Good governance** practices include sound management structures, employee relations, remuneration of staff and tax compliance.

● ***What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?***

Not applicable. No minimum reduction rate has been defined in relation to the Fund's scope of investments. However, the Investment Adviser anticipates that the application of the exclusions described above will reduce the scope of the Fund's investments by 1-5%.

● ***What is the policy to assess good governance practices of the investee companies?***

The Investment Adviser recognizes that it is important for a company to pursue business management by giving adequate consideration to shareholder profits and the sustainable enhancement of corporate value and that, for this purpose, it is essential for the company's corporate governance to work appropriately. The Investment Adviser therefore considers, for all investee companies within the Fund, whether investee companies maintain sound management structures. For this purpose the Investment Adviser considers issues such as the effectiveness and composition of the board of directors, and regards it as desirable that boards of directors include an outside director in an independent position in order to more certainly ensure the transparency, objectivity and appropriateness of decisions made and of the process of decision-making of the board.

Consideration is given, also, to employee relations, fair remuneration of staff and tax compliance, in order to ensure that investee companies follow good governance practice.

This is done through the monitoring of data on governance-related issues, as well as on other environmental and/or social factors and controversies, sourced from third party providers, through in-house research, and through engagement with the management of selected issuers on corporate governance and disclosure issues.



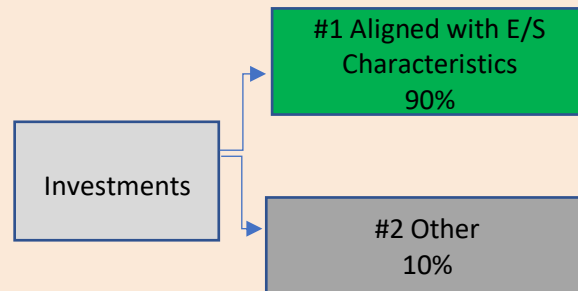
#### Asset allocation

describes the share of investments in specific assets.

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.

### What is the asset allocation planned for this financial product?



**#1 Aligned with E/S characteristics** includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

**#2 Other** includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

The exclusionary screens and ESG tilt apply to at least 90% of the Fund's assets, which will be used to attain the Fund's environmental and social characteristics. The remaining 10% investments of the Fund are comprised of cash and cash equivalents, or derivatives used for hedging purposes, which will not be used to attain the Fund's environmental or social characteristics.

These percentages are measured according to the value of the investments.

As noted above, the ESG tilt is applied at a portfolio level (and not at the level of individual holdings), meaning that individual holdings may have lower ESG scores than the average of the portfolio as a whole or the average for the MSCI Japan Index.

The Fund will not make any investments that meet either the "Sustainable Investment" test in the EU Sustainable Finance Disclosure Regulation ("SFDR") rules, nor will the investments of the Fund take into the account the EU criteria for environmentally sustainable economic activities under the EU Taxonomy Regulation.

#### ● **How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?**

The Fund uses derivatives for hedging purposes only. These instruments are not used to attain the environmental or social characteristics of the Fund.



### To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?



Not applicable – the Investment Manager does not take account of the EU Taxonomy in its management of the Fund and as such the Fund’s sustainable investments do not take into account the criteria for environmentally sustainable economic activities under the EU Taxonomy.

● **Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy<sup>1</sup>?**

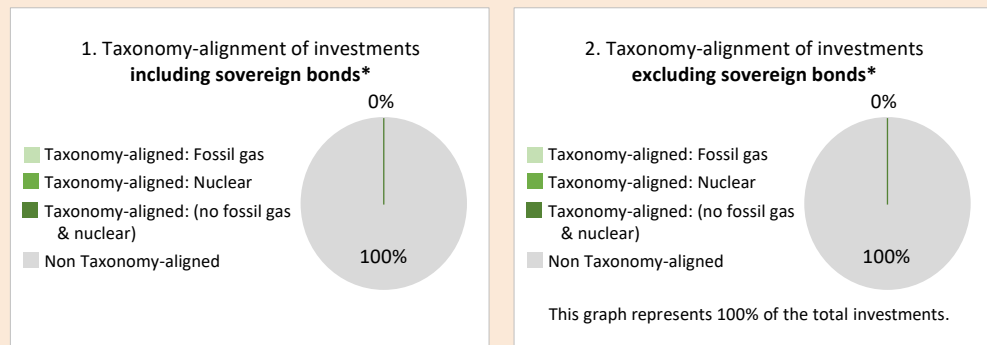
- Yes:  
 In fossil gas     In nuclear energy  
 No

To comply with EU Taxonomy, the criteria for **fossil gas** include limitations on emission and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

**Transitional activities** are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

*The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.*



\* For the purpose of these graphs, ‘sovereign bonds’ consist of all sovereign exposures.

● **What is the minimum share of investments in transitional and enabling activities?**

Not applicable.

<sup>1</sup> Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change (“climate change mitigation”) and do not significantly harm any EU Taxonomy objective – see explanatory note in the left-hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.



### What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?

Not applicable



are sustainable investments with an environmental objective that **do not take into account** the criteria for environmentally sustainable economic activities under the EU Taxonomy.



### What is the minimum share of socially sustainable investments?

Not applicable



### What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?

This Fund may have investments in hedging instruments and holds cash as ancillary liquidity. These are included in the “#2 Other” category and are not subject to any minimum environmental or social safeguards.



### Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?

Not applicable

**Reference benchmarks** are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.



### Where can I find more product specific information online?

More product-specific information can be found on the website:

[https://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite\\_msinvf\\_japaneseequity\\_en.pdf](https://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite_msinvf_japaneseequity_en.pdf)

**Pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852**

**Product name:**  
NextGen Emerging Markets Fund

**Legal entity identifier:**  
5493005TO95BBNXCKP66

## Environmental and/or social characteristics

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**.

That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

**Does this financial product have a sustainable investment objective?**

<input checked="" type="radio"/> <input type="radio"/> <b>Yes</b>	<input checked="" type="radio"/> <input type="radio"/> <b>No</b>
<input type="checkbox"/> It will make a minimum of <b>sustainable investments with an environmental objective: ___%</b> <ul style="list-style-type: none"> <li><input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> </ul> <input type="checkbox"/> It will make a minimum of <b>sustainable investments with a social objective: ___%</b>	<input type="checkbox"/> It <b>promotes Environmental/Social (E/S) characteristics</b> and while it does not have as its objective a sustainable investment, it will have a minimum proportion of ___% of sustainable investments <ul style="list-style-type: none"> <li><input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> with a social objective</li> </ul> <input checked="" type="checkbox"/> It promotes E/S characteristics, but <b>will not make any sustainable investments</b>



## What environmental and/or social characteristics are promoted by this financial product?

Firstly, the Fund promotes the environmental characteristic of contributing towards climate change mitigation by seeking to achieve a lower carbon footprint than the MSCI Frontier Emerging Markets Index in aggregate at the portfolio level.

Secondly, the Fund avoids investments in certain industries with the potential to cause harm to the environmental and to human health and wellbeing, such as tobacco and weapons, by applying binding exclusions. Further detail on the nature of these exclusions is set out below (in response to the question, “*What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?*”).

Additional detail with respect to these exclusions is set out in response to the question “*What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?*” below.

The Fund does not use a reference benchmark to attain its environmental or social characteristics.

**Sustainability indicators** measure how the environmental or social characteristics promoted by the financial product are attained.

- ***What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?***

Objective	Sustainability indicators
1. ESG exclusions	The application of the exclusionary screens to the Fund’s investments is measured by the percentage of the Fund’s investments which breach the exclusionary screens. The relevant sustainability indicator is therefore that 0% of the Fund’s investments are in violation of the Fund’s exclusionary screens.
2. Lower carbon footprint than MSCI Frontier Emerging Markets Index at an aggregate portfolio level	Weighted Average Carbon Intensity of portfolio compared against MSCI Frontier Emerging Markets Index.

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

- ***What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?***

Not applicable

- ***How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?***

Not applicable

- *How have the indicators for adverse impacts on sustainability factors been taken into account?*

Not applicable

- *How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:*

Not applicable

*The EU Taxonomy sets out a “do not significant harm” principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.*

*The “do no significant harm” principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.*

*Any other sustainable investments must also not significantly harm any environmental or social objectives.*

*Regulation requires that this document include these statements. However, for the avoidance of doubt, this Fund does not: (i) take into account the EU criteria for environmentally sustainable economic activities in the EU Taxonomy; or (ii) calculate its portfolio alignment with the EU Taxonomy. As such, the Fund is 0% aligned with the EU Taxonomy.*



### Does this financial product consider principal adverse impacts on sustainability factors?

Yes

No

The Fund considers some of the principal adverse impacts (“PAI”) on sustainability factors through the Fund’s exclusionary criteria as follows:

- The Fund excludes issuers whose core business is in thermal coal mining and extraction, thermal coal power generation and fossil fuels. The Fund therefore partly considers PAI indicator number 4: exposure to companies active in the fossil fuel sector.
- The Fund excludes issuers which derive any revenue from controversial weapons manufacturing or retail. The Fund therefore considers PAI indicator number 14: exposure to controversial weapons.
- The Fund excludes issuers which have committed violations of the UN Global Compact, the UN Guiding Principles on Business and Human Rights, or the ILO Fundamental Principles, or which have experienced very severe controversies relating to violations of the OECD Guidelines for Multinational Enterprises. The Fund therefore considers PAI indicator number 10: violations of UN Global Compact principles and OECD Guidelines for Multinational Enterprises.

Lastly, the Fund considers engagement and stewardship with issuers across all relevant mandatory PAI indicators in the SFDR rules on a materiality basis (i.e., if the Investment Adviser considers a particular PAI indicator to be materially relevant to, or impacted by, the activities of the issuer).

The Fund will make information available on how it has incorporated the PAIs in its periodic reports to investors.



**The investment strategy** guides investment decisions based on factors such as investment objectives and risk tolerance.

## What investment strategy does this financial product follow?

The NextGen Emerging Markets Fund's investment objective is to seek long-term capital appreciation, measured in Euro, by investing primarily in equity securities of "NextGen" issuers, including depositary receipts (including American Depositary Receipts (ADRs), Global Depositary Receipts (GDRs)), "NextGen" issuers being defined as 1) issuers Located in emerging market countries, including frontier market countries, which are determined based on classification in the MSCI Emerging Markets Net Index or MSCI Frontier Emerging Markets Index, or 2) issuers Located in upcoming developing markets outside the "mainstream" emerging markets, whose capital markets have traditionally been overlooked by foreign investors or are in early stages of capital market and/or economic development. These are countries that are not part of the MSCI Emerging Markets Net Index or MSCI Frontier Emerging Markets Index, that the International Monetary Fund, the United Nations or the World Bank generally consider to be less economically mature than developed nations. The Fund may invest in the countries under 2) provided that the markets of these countries are considered to be recognised exchanges ("Recognised Exchanges") within the meaning of Article 41(1) of the Law of 17 December 2010 on undertakings for collective investment.

Subject to the Fund's investment objective and its binding Article 8 characteristics (as explained above), the investment team retains discretion over which investments are selected for inclusion in the Fund.

The Fund is actively managed by the Investment Adviser on an ongoing basis in accordance with its investment strategy. The investment process is subject to regular review, as part of a control and monitoring framework implemented by the Investment Adviser and the Management Company. The Investment Adviser's Compliance, Risk and Portfolio Surveillance teams collaborate with the investment team to conduct regular portfolio/performance reviews and systemic checks to ensure compliance with portfolio investment objectives, investment and client guidelines, taking into account changing market conditions, information and strategy developments.

In addition to the ESG considerations described in this summary on a binding basis, the Fund integrates ESG considerations in the investment decision-making process to support its environmental and social characteristics on a non-binding basis, based on the Investment Adviser's in-house research and methodologies and on third-party data.

### ● **What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?**

The Fund promotes the environmental characteristic of contributing towards climate change mitigation by seeking to achieve a lower carbon footprint than the MSCI Frontier Emerging Markets Index in aggregate at the portfolio level.

**ESG exclusions:** The Fund avoids investments in certain industries with the potential to cause harm to the Fund's environmental and social characteristics by applying binding exclusions, detailed in and implemented in line with the Fund's Restriction Screening and ESG Policy, available on [www.morganstanleyinvestmentfunds.com](http://www.morganstanleyinvestmentfunds.com) and on [www.morganstanley.com/im](http://www.morganstanley.com/im).

In particular, the Fund excludes investments in the following:

- (i) companies whose core business is fossil fuels, thermal coal mining extraction, thermal coal-based power generation, adult entertainment or tobacco;
- (ii) companies with more than 5% revenue from Arctic oil and gas, oil sands, and gambling; and
- (iii) companies with any exposure to civilian firearms or controversial weapons.

In addition, the Fund also excludes investments in the following:

- (i) the universe's highest carbon emitters (top 20 emitters for absolute emissions and top 40 emitters for emissions intensity); and
- (ii) state-owned enterprises (SOEs) in all sectors in the Emerging or Frontier Emerging Markets indices, given the frequent misalignment of governance with shareholder interests. The

Investment Adviser defines state owned enterprise as 35% state ownership. Please note the Fund may invest in certain SOEs (a) in the financials, health care or communication services sector category or (b) if, in the view of the Investment Adviser, the issuer in question can demonstrate strong ESG performance or material improvement on ESG matters.

- (iii) The utilities sector ex renewables and water, and the construction materials industry as defined by MSCI Global Industry Classification System (GICS).

**Carbon footprint:** the Fund seeks to achieve a lower carbon footprint than the MSCI Frontier Emerging Markets Index in aggregate at the portfolio level.

Investments that are held by the Fund but become restricted because they breach the investment restrictions set out 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, considering the best interests of the Shareholders of the Fund. The details of the above exclusions can be found in the Fund's exclusion policy which is available on the Company's website

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

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).

**Good governance** practices include sound management structures, employee relations, remuneration of staff and tax compliance.

- ***What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?***

The Fund commits to a 20% or more reduction of the investible universe (achieved through the binding exclusions described in response to the previous question), prior to sourcing potential investments.

- ***What is the policy to assess good governance practices of the investee companies?***

All investee companies within the Fund are assessed on their governance which is embedded in the investment process and considered as part of initial research and stock selection. The team also engages with companies and boards directly on issues material to governance, among other issues. An investment has to be considered by the Investment Advisor to have good governance to be included within the portfolio.

As an input to its governance assessment, the investment team has also chosen several third-party binary (pass/fail) proxy indicators to assess issuer management structures, employee relations, remuneration of staff and tax compliance, to the extent they are covered by third party providers. In the event that an issuer fails under one of these proxy indicators, the default position is that the issuer will be excluded from the Fund. The Investment Adviser may include issuers that fail on one or more of these proxy indicators where (i) it considers that the third party data is inaccurate or out of date; or (ii) it considers that, upon review, the issuer is exhibiting good governance practices overall (such that the results of the proxy indicator tests do not in fact indicate a material impact on good governance). In reaching this determination, the Investment Adviser may take into account any remedial actions being undertaken by the company.



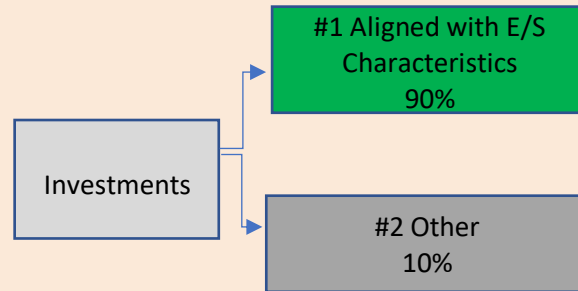
### Asset allocation

describes the share of investments in specific assets.

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.

## What is the asset allocation planned for this financial product?



**#1 Aligned with E/S characteristics** includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

**#2 Other** includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

As explained above, the Fund's aim to maintain a lower carbon footprint than the MSCI Emerging Markets Index is applied at a portfolio level (and not at the level of individual holdings, some of which may on an individual basis have a higher carbon intensity than the portfolio level average or target).

The remaining 10% of the Fund's investments will not be aligned with E/S characteristics. The Fund does not intend to make any sustainable investments within the meaning of the Sustainable Finance Disclosure Regulation ("SFDR").

● ***How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?***

Not applicable – the Fund does not use derivatives to attain its environmental or social characteristics.



## To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

Not applicable



● **Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy<sup>1</sup>?**

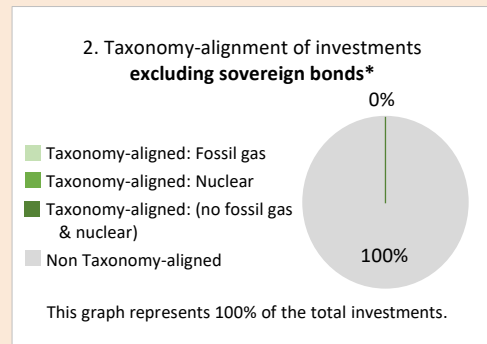
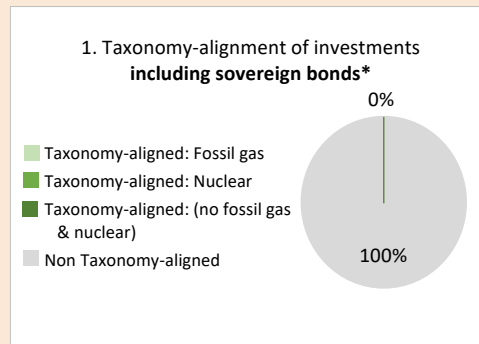
- Yes:
  - In fossil gas     In nuclear energy
- No

To comply with EU Taxonomy, the criteria for **fossil gas** include limitations on emission and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

**Transitional activities** are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

*The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.*



\* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures.

● **What is the minimum share of investments in transitional and enabling activities?**

Not applicable

<sup>1</sup> Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objective – see explanatory note in the left-hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.



### What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?

Not applicable



are sustainable investments with an environmental objective that **do not take into account** the criteria for environmentally sustainable economic activities under the EU Taxonomy.



### What is the minimum share of socially sustainable investments?

Not applicable



### What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?

The “#2 Other” category is expected to be made up of (i) companies where an ESG materiality assessment and/or a dedicated company engagement to supplement data points has not yet been completed, (ii) hedging instruments and/or (iii) cash held for ancillary liquidity. These investments are not subject to minimum environmental or social safeguards.



### Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?

Not applicable

**Reference benchmarks** are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.



### Where can I find more product specific information online?

More product-specific information can be found on the website:

[https://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite\\_msinvf\\_nextgenemergingmarkets\\_en.pdf](https://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite_msinvf_nextgenemergingmarkets_en.pdf)

**Pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852**

**Product name:**  
Sustainable Asia Equity Fund

**Legal entity identifier:**  
3YN85S5L733W17SQIB18

## Environmental and/or social characteristics

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**.

That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

Does this financial product have a sustainable investment objective?	
<p><input checked="" type="radio"/> <input type="radio"/> <b>Yes</b></p>	<p><input checked="" type="radio"/> <input type="radio"/> <b>No</b></p>
<p><input type="checkbox"/> It will make a minimum of <b>sustainable investments with an environmental objective: ___%</b></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> </ul> <p><input type="checkbox"/> It will make a minimum of <b>sustainable investments with a social objective: ___%</b></p>	<p><input checked="" type="checkbox"/> It <b>promotes Environmental/Social (E/S) characteristics</b> and while it does not have as its objective a sustainable investment, it will have a minimum proportion of <u>20</u> % of sustainable investments</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input checked="" type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> <li><input checked="" type="checkbox"/> with a social objective</li> </ul> <p><input type="checkbox"/> It promotes E/S characteristics, but <b>will not make any sustainable investments</b></p>



## What environmental and/or social characteristics are promoted by this financial product?

The Fund promotes environmental and social characteristics in the following ways.

Firstly, a minimum of 40% of the Fund's portfolio is thematically aligned towards sustainable development in one of the Investment Adviser's chosen environmental and social sub-themes, which may include but are not limited to:

- responsible energy;
- sustainable production and circular economy;
- decent work and innovation; and
- access, affordability, and sustainable economic growth.

The Fund may add new themes relating to environmental and social development as validated and supported by additional sustainable metrics, in which case updates shall be made to relevant disclosures.

Secondly, the Fund avoids investments in certain industries with the potential to cause harm to the environmental and social characteristics described above by applying binding exclusions. Further detail on the nature of these exclusions is set out below (in response to the question, "*What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?*").

Thirdly, having regard to the low carbon aims of the Paris Agreement the Fund promotes the environmental characteristic of contributing towards climate change mitigation by seeking to achieve a lower carbon footprint than the MSCI AC Asia Ex Japan Index in aggregate at the portfolio level.

Finally, the Fund invests a minimum of 20% of its portfolio in sustainable investments.

No reference benchmark has been designated for the purpose of attaining the environmental and social characteristics promoted by the Fund.

**Sustainability indicators** measure how the environmental or social characteristics promoted by the financial product are attained.

### What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?

Objective	Sustainability indicators
1. Thematic alignment to sustainable development	The Investment Adviser will seek to ensure that a minimum of 40% of the Fund's assets are invested in the Investment Adviser's chosen environmental and social sub-themes. The relevant criteria and sustainability indicators differ by sub-theme and include metrics such as revenue alignment, waste recycled and average wages. Please see <i>What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?</i> below for details on the sustainability indicators that are used.
2. ESG exclusions	The application of the exclusionary screens to the Fund's investments is measured by the percentage of the Fund's investments which breach the exclusionary screens. The relevant sustainability indicator is therefore that 0% of the Fund's investments are in violation of the Fund's exclusionary screens.

3. Lower carbon footprint than the MSCI AC Asia Ex Japan Index at an aggregate portfolio level	Weighted Average Carbon Intensity of portfolio compared against the MSCI AC Asia Ex Japan Index
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● ***What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?***

The sustainable investments made by the fund will contribute to at least one of the environmental or social sub-themes listed above. The Investment Adviser uses metrics to ensure that the sustainable investments contribute to at least one of these themes, for example:

- (i) by considering quantifiable positive metrics such as aligned revenues (being revenues from activities aligned with a theme, e.g. revenues from renewable energy generation in the case of the responsible energy theme) and aligned business activities; and
- (ii) other relevant metrics such as (but not limited to) third party scores derived from activities aligned with sustainable development goals, Transitions Performance Index (“TPI”) scores, above average wages, employee retention rates, research and development spend, international sales or private label sales (as indicators of investment in local economic growth and quality employment opportunities), and diversity metrics.

Each metric has a threshold or benchmark that the company must meet in order to be considered aligned with a sustainability theme, e.g. at least 20% for aligned revenues or above country or industry averages on other metrics. Further detail regarding the relevant metrics for each sub-theme is set out under *What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?* below.

We obtain data on these metrics from company reporting and third party sources.

● ***How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?***

The Fund’s sustainable investments aim not to cause significant harm to any relevant environmental or social objectives by screening investments for: (i) minimum social safeguards and (ii) Principal Adverse Impact (“PAI”) indicator screens. Companies that pass both data screens, and have a measurable positive contribution to environmental or social objectives are considered sustainable investments.

With respect to the PAI screen, the Investment Adviser considers all mandatory PAI indicators that are relevant to the investment. The Investment Adviser uses all available data sources including company reported and third party vendors and have thresholds for each PAI indicator.

– ***How have the indicators for adverse impacts on sustainability factors been taken into account?***

As part of the do no significant harm test for sustainable investments, the Fund assesses the mandatory PAI indicators (listed below) that are (i) relevant to the investment, and (ii) deemed material to a particular issuer, based on third party data providers’ assessment of materiality.

PAI indicators:

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

### Investee companies

1. GHG emissions
2. Carbon Footprint
3. GHG intensity of investee companies
4. Exposure to companies active in the fossil sector
5. Share of non-renewable energy consumption and production
6. Energy consumption intensity per high impact climate sector
7. Activities negatively affecting biodiversity sensitive areas
8. Emissions to water
9. Hazardous waste ratio
10. Violations of UN Global Compact and OECD
11. Lack of processes and compliance mechanisms to monitor compliance with the UNGC and OECD
12. Unadjusted gender pay gap
13. Board gender diversity
14. Exposure to controversial weapons

Companies with more than two missing PAI indicator data points will not be considered sustainable investments due to lack of data.

For each mandatory PAI the Fund sets thresholds specific to that PAI to determine whether significant harm is caused.

PAI indicators are sourced from company reported data, third-party data and the investment team's engagements with company management. The Investment Adviser will use third party information, but may supplement individual data points based on company engagements or company websites.

The Investment Adviser may use reasonable proxy indicators sourced from third parties to address the current lack of data for certain PAI indicators. The Investment Adviser's use of proxy indicators will be kept under review and will be replaced by PAI data from third-party data providers, when the Investment Adviser determines that sufficiently reliable data has become available.

- *How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:*

The Fund's investments are screened for minimum social safeguards, before going through the PAI screen described above.

The Investment Adviser uses third party data sources to undertake minimum social safeguards screening. The screening undertaken includes identification of companies which are subject to UNGC and OECD controversy and compliance flags, as well as flags for compliance with international norms. In addition, the Fund excludes investments in issuers that fail to comply with the UN Global Compact, or the OECD Guidelines for Multinational Enterprises.

Details on the screening approach are provided in the Fund's Restriction Screening and ESG Policy, available on [www.morganstanleyinvestmentfunds.com](http://www.morganstanleyinvestmentfunds.com) and on [www.morganstanley.com/im](http://www.morganstanley.com/im).

*The EU Taxonomy sets out a “do not significant harm” principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.*

*The “do no significant harm” principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.*

*Any other sustainable investments must also not significantly harm any environmental or social objectives.*

*Regulation requires that this document include these statements. However, for the avoidance of doubt, this Fund does not: (i) take into account the EU criteria for environmentally sustainable economic activities in the EU Taxonomy; or (ii) calculate its portfolio alignment with the EU Taxonomy. As such, the Fund is 0% aligned with the EU Taxonomy. The “do no significant harm” principle applies only to the portion of the Fund’s investments that are sustainable investments.*



### Does this financial product consider principal adverse impacts on sustainability factors?

- Yes  
 No

The Fund considers all of the mandatory PAI indicators on sustainability factors which are relevant to the investment for the portion allocated to sustainable investments, as described above. The portion of the Fund that is not made of sustainable investments considers certain PAI through the Fund’s exclusionary criteria as follows:

- The Fund excludes issuers whose core business is in thermal coal mining and extraction, thermal coal power generation and fossil fuels. The Fund therefore partly considers PAI indicator number 4: exposure to companies active in the fossil fuel sector.
- The Fund excludes issuers which derive any revenue from controversial weapons manufacturing or retail. The Fund therefore considers PAI indicator number 14: exposure to controversial weapons.
- The Fund excludes issuers which have committed violations of the UN Global Compact, the UN Guiding Principles on Business and Human Rights, or the ILO Fundamental Principles, or which have experienced very severe controversies relating to violations of the OECD Guidelines for Multinational Enterprises. The Fund therefore considers PAI indicator number 10: violations of UN Global Compact principles and OECD Guidelines for Multinational Enterprises.

Lastly, the Fund considers engagement and stewardship with issuers across all relevant mandatory PAI indicators in the SFDR rules on a materiality basis, meaning if the Investment Adviser considers a particular PAI indicator to be materially relevant to, or impacted by, the activities of the issuer, the Investment Adviser will engage on that PAI.

The Fund will make information available on how it has incorporated the PAIs in its periodic reports to investors.



**The investment strategy** guides investment decisions based on factors such as investment objectives and risk tolerance.

## What investment strategy does this financial product follow?

The Sustainable Asia Equity Fund's investment objective is to seek to maximise total return, measured in US Dollars, through investment primarily in equity securities of companies 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 fund uses a top down country allocation and bottom up stock selection process to select investments.

The investment process is subject to regular review, as part of a control and monitoring framework implemented by the Investment Adviser and the Management Company. Morgan Stanley Investment Management's Compliance, Risk and Portfolio Surveillance teams collaborate with the investment teams to conduct regular portfolio/performance reviews and systemic checks to ensure compliance with portfolio investment objectives, investment and client guidelines, taking into account changing market conditions, information and strategy developments.

### ● **What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?**

**Thematic alignment to sustainable development:** The Fund commits to having a minimum 40% of the portfolio thematically aligned to sustainable development in chosen sub-themes, using the metrics below.

Sub-theme	Description	Metrics
Responsible Energy Transition	Companies that are enabling the transition, or companies in high-emitting sectors with Paris Aligned decarbonization pathways	Aligned Revenues >20% from renewable energy products and services and/or energy efficiency products or services, or enabling materials or technology or TPI Score 3 or above. TPI evaluates companies' climate actions and assigns a score from 0-4 with 4 being the highest. The Investment Adviser uses TPI scores as a proxy for evaluating a company's energy transition progress in addition to its active engagements with companies. A TPI score of 3 or 4 signifies that the company is managing the risks and opportunities relating to the transition to a low carbon economy. The fund may also use third-party (such as MSCI or ISS) scores derived from activities aligned with sustainable development goals to determine thematic alignment.
Sustainable Production & Circular Economy	Companies that are either integrating circular economy practices as a core part of their businesses or whose products	Aligned revenues >20% from renewable and/or recyclable products or services, or operational alignment of >50% of waste



	and services align with circular economies, improve recycling infrastructure, waste management processes, sustainable materials sourcing and/or sustainable packaging	recycled, recycled materials or water recycled.  The fund may also use third-party (such as MSCI or ISS) scores derived from activities aligned with sustainable development goals to determine thematic alignment.
Improved Access, Affordability & Sustainable Economic Growth	Companies with a business model which increases access to and affordability of goods and services, such as food, medicines, health care, banking, insurance, and education. Such companies help foster increased productivity and quality of life for individuals. Increasing productivity is a key driver of real income growth and sustainable economic growth.	Aligned revenues >20% from affordable and/or equitable financial services; affordable and/or equitable food and/or fast moving consumer goods (FMCG);  affordable and/ or equitable health care goods and services and/or basic services such as telecommunications, sanitation, water etc and/or operational alignment above country average from financial inclusion and healthcare access.  The fund may also use third-party (such as MSCI or ISS) scores derived from activities aligned with sustainable development goals to determine thematic alignment.
Decent Work & Innovation	Companies which are creating high quality jobs, developing human capital, and investing in research and development and innovation. Private sector job creation is critical driver of sustainable economic growth, and social development. Innovation and globally competitive corporates are key drivers of productivity growth and sustainable income growth for a country overall.	Operational alignment as measured by average monthly wage above country living wage, or turnover rate below industry average, or % women in middle/senior management above country average  or Research & Development expenditures/sales above 3% or International sales above 35%.  The fund may also use third-party (such as MSCI or ISS) scores derived from activities aligned with sustainable development goals to determine thematic alignment.

Each metric has a threshold or benchmark that the company must meet in order to be considered aligned with a sustainability theme, e.g. at least 20% for aligned revenues or above industry or country averages on other metrics. The Investment Adviser may also add metrics should new industries be added that are not currently covered.

**ESG exclusions:** The Fund avoids investments in certain industries with the potential to cause harm to the Fund's environmental and social characteristics by applying binding exclusions, detailed in the Fund's Restriction Screening and ESG Policy, available on [www.morganstanleyinvestmentfunds.com](http://www.morganstanleyinvestmentfunds.com) and on [www.morganstanley.com/im](http://www.morganstanley.com/im).

In particular, the Fund excludes investments in the following:

- (i) companies whose core business is fossil fuels, thermal coal mining extraction, thermal coal-based power generation, adult entertainment, tobacco or alcohol;
- (ii) companies with more than 5% revenue from Arctic oil and gas, oil sands, and gambling; and
- (iii) companies with any exposure to civilian firearms or controversial weapons.

In addition, the Fund also excludes investments in the following:

- (i) the MSCI AC Asia Ex Japan index's highest carbon emitters (top 20 emitters for absolute emissions and top 70 emitters for emissions intensity); and
- (ii) state-owned enterprises (SOEs) in all sectors in emerging markets, given the frequent misalignment of governance with shareholder interests. The Investment Adviser defines state owned enterprise as 35% state ownership. Please note the Fund may invest in certain SOEs (a) in the financials, health care or communication services sector category or (b) if, in the view of the Investment Adviser, the issuer in question can demonstrate strong ESG performance or material improvement on ESG matters.

These exclusions are implemented in line with the Fund's Restriction Screening and ESG Policy, available on [www.morganstanleyinvestmentfunds.com](http://www.morganstanleyinvestmentfunds.com) and on [www.morganstanley.com/im](http://www.morganstanley.com/im).

The Investment Adviser may apply additional ESG-related investment restrictions over time that it believes are consistent with the Fund's investment objectives and its environmental and social characteristics. Such additional investment 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).

**Carbon footprint:** the Fund seeks to achieve a lower carbon footprint than the MSCI AC Asia Ex Japan Index in aggregate at the portfolio level.

**Sustainable investments:** The Fund also invests a minimum of 20% of its portfolio in companies defined as sustainable investments, which are aligned with the sustainability themes described above in response to the question "What environmental and/or social characteristics are promoted by this financial product?", and which the Investment Adviser has determined to do no significant harm to any relevant environmental or social objectives as described above.

**Good governance** practices include sound management structures, employee relations, remuneration of staff and tax compliance.

● ***What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?***

The Fund commits to a 20% or more reduction of the investible universe (achieved through the binding exclusions described in response to the previous question), prior to sourcing potential investments.

● ***What is the policy to assess good governance practices of the investee companies?***

All investee companies within the Fund are assessed on their governance which is embedded in the investment process and considered as part of initial research and stock selection. The team also engages with companies and boards directly on issues material to governance, among other issues. An investment has to be considered by the Investment Advisor to have good governance to be included within the portfolio.

As an input to its governance assessment, the investment team has also chosen several third-party binary (pass/fail) proxy indicators to assess issuer management structures, employee relations, the remuneration of staff and tax compliance, to the extent they are covered by third party providers. In the event that an issuer fails under one of these proxy indicators, the default position is that the issuer will be excluded from the Fund. The Investment Adviser may include

issuers that fail on one or more of these proxy indicators where (i) it considers that the third party data is inaccurate or out of date; or (ii) it considers that, upon review, the issuer is exhibiting good governance practices overall (such that the results of the proxy indicator tests do not in fact indicate a material impact on good governance). In reaching this determination, the Investment Adviser may take into account any remedial actions being undertaken by the company.



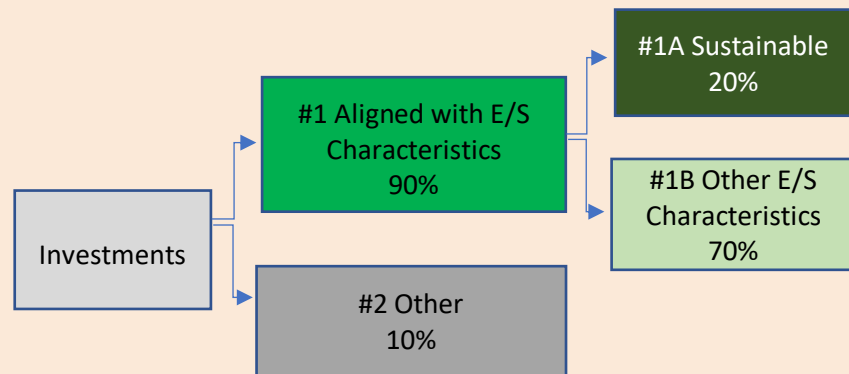
#### Asset allocation

describes the share of investments in specific assets.

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure (CapEx)** showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure (OpEx)** reflecting green operational activities of investee companies.

### What is the asset allocation planned for this financial product?



**#1 Aligned with E/S characteristics** includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

**#2 Other** includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

The category **#1 Aligned with E/S characteristics** covers:

- The sub-category **#1A Sustainable** covers sustainable investments with environmental or social objectives.
- The sub-category **#1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.

A minimum of 90% of the Fund's investments will be aligned with environmental and social characteristics; this includes the Fund's 40% investments aligned with sustainable themes. The Fund will allocate a minimum of 20% of its assets to sustainable investments. Among these, the Fund commits to make 1% of sustainable investments with an environmental objective and 1% of sustainable investments with a social objective which can both vary independently at any time.

As explained above, the Fund's aim to maintain a lower carbon footprint than the MSCI AC Asia Ex Japan Index is applied at a portfolio level (and not at the level of individual holdings, some of which may on an individual basis have a higher carbon intensity than the portfolio level average or target).

The remaining 10% of the Fund's investments will not be aligned with E/S characteristics.

- **How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?**

Not applicable



### To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

Not applicable – the Investment Adviser does not take account of the EU Taxonomy in its management of the Fund and as such the Fund’s sustainable investments do not take into account the criteria for environmentally sustainable economic activities under the EU Taxonomy.

● **Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy<sup>1</sup>?**

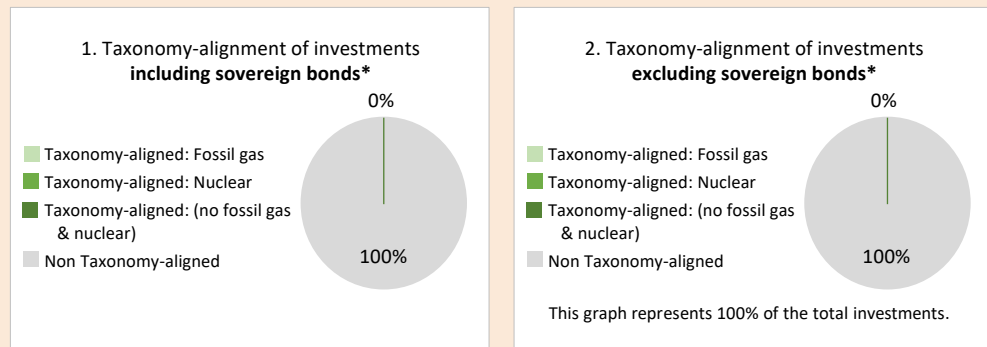
- Yes:
  - In fossil gas
  - In nuclear energy
- No

To comply with EU Taxonomy, the criteria for **fossil gas** include limitations on emission and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

**Transitional activities** are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

*The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.*



\* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures.

● **What is the minimum share of investments in transitional and enabling activities?**

Not applicable - Although the Fund commits to invest in sustainable investments within the meaning of the SFDR, there is no commitment to a minimum share of investments in transitional and enabling activities.



### What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?

The Fund intends to make a minimum of 20% of sustainable investments, as defined under the SFDR. Among these, the Fund commits to make a minimum of 1% of sustainable investments with an environmental objective and 1% of sustainable investments with a social objective which can both vary independently at any time. These sustainable investments will represent at least 20% of the portfolio holdings on an aggregated basis. The Fund’s sustainable investments with an environmental



are sustainable investments with an environmental objective that **do not take into account** the criteria for environmentally sustainable economic activities under the EU Taxonomy.

<sup>1</sup> Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change (“climate change mitigation”) and do not significantly harm any EU Taxonomy objective – see explanatory note in the left-hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

objective do not take into account the criteria for environmentally sustainable economic activities under the EU Taxonomy. The EU Taxonomy does not comprehensively cover all industries and sectors, or even all environmental objectives. Accordingly, the Investment Adviser uses its own methodology to determine whether certain investments are sustainable in accordance with the Sustainable Finance Disclosure Regulation (“SFDR”) sustainable investment test, and then partly invests in the Fund in such assets.



### What is the minimum share of socially sustainable investments?

The Fund intends to make a minimum of 20% of sustainable investments. Among these, the Fund commits to make a minimum of 1% of sustainable investments with an environmental objective and 1% of sustainable investments with a social objective which can both vary independently at any time. These sustainable investments will represent at least 20% of the portfolio holdings on an aggregated basis.



### What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?

The “#2 Other” category is expected to be made up of (i) companies with no sustainable theme or where a dedicated company engagement to supplement data points has not yet been completed, (ii) hedging instruments and/or (iii) cash held for ancillary liquidity. These investments are not subject to minimum environmental or social safeguards.



### Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?

Not applicable

**Reference benchmarks** are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.



### Where can I find more product specific information online?

More product-specific information can be found on the website:

[https://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite\\_msinvf\\_sustainableasiaequity\\_en.pdf](https://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite_msinvf_sustainableasiaequity_en.pdf)

**Pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852**

**Product name:**

Sustainable Emerging Markets Equity Fund

**Legal entity identifier:**

T65E8GUF6U708NUAP89

## Environmental and/or social characteristics

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**.

That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

Does this financial product have a sustainable investment objective?	
●● <input type="checkbox"/> Yes	●● <input checked="" type="checkbox"/> No
<input type="checkbox"/> It will make a minimum of <b>sustainable investments with an environmental objective: ___%</b> <ul style="list-style-type: none"> <li><input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> </ul>	<input checked="" type="checkbox"/> It <b>promotes Environmental/Social (E/S) characteristics</b> and while it does not have as its objective a sustainable investment, it will have a minimum proportion of <u>20</u> % of sustainable investments <ul style="list-style-type: none"> <li><input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input checked="" type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> <li><input checked="" type="checkbox"/> with a social objective</li> </ul>
<input type="checkbox"/> It will make a minimum of <b>sustainable investments with a social objective: ___%</b>	<input type="checkbox"/> It promotes E/S characteristics, but <b>will not make any sustainable investments</b>



## What environmental and/or social characteristics are promoted by this financial product?

The Fund promotes environmental and social characteristics in the following ways.

Firstly, a minimum of 40% of the Fund's portfolio is thematically aligned towards sustainable development in one of the Investment Adviser's chosen environmental and social sub-themes, which may include but are not limited to:

- responsible energy;
- sustainable production and circular economy;
- decent work and innovation; and
- access, affordability, and sustainable economic growth.

The Fund may add new themes relating to environmental and social development as validated and supported by additional sustainable metrics, in which case updates shall be made to relevant disclosures.

Secondly, the Fund avoids investments in certain industries with the potential to cause harm to the environmental and social characteristics described above by applying binding exclusions. Further detail on the nature of these exclusions is set out below (in response to the question, "*What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?*").

Thirdly, having regard to the low carbon aims of the Paris Agreement the Fund promotes the environmental characteristic of contributing towards climate change mitigation by seeking to achieve a lower carbon footprint than the MSCI Emerging Markets Index in aggregate at the portfolio level.

Finally, the Fund invests a minimum of 20% of its portfolio in sustainable investments.

No reference benchmark has been designated for the purpose of attaining the environmental and social characteristics promoted by the Fund.

**Sustainability indicators** measure how the environmental or social characteristics promoted by the financial product are attained.

### What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?

Objective	Sustainability indicators
1. Thematic alignment to sustainable development	The Investment Adviser will seek to ensure that a minimum of 40% of the Fund's assets are invested in the Investment Adviser's chosen environmental and social sub-themes. The relevant criteria and sustainability indicators differ by sub-theme and include metrics such as revenue alignment, waste recycled and average wages. Please see What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product? below for details on the sustainability indicators that are used.
4. ESG exclusions	The application of the exclusionary screens to the Fund's investments is measured by the percentage of the Fund's investments which breach the exclusionary screens. The relevant sustainability indicator is therefore that 0% of the Fund's investments are in violation of the Fund's exclusionary screens.

5. Lower carbon footprint than the MSCI Emerging Markets Index at an aggregate portfolio level	Weighted Average Carbon Intensity of portfolio compared against the MSCI Emerging Markets Index
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● ***What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?***

The sustainable investments made by the fund will contribute to at least one of the environmental or social sub-themes listed above. The Investment Adviser uses metrics to ensure that the sustainable investments contribute to at least one of these themes, for example:

- (i) by considering quantifiable positive metrics such as aligned revenues (being revenues from activities aligned with a theme, e.g. revenues from renewable energy generation in the case of the responsible energy theme) and aligned business activities; and
- (ii) other relevant metrics such as (but not limited to) third party scores derived from activities aligned with sustainable development goals, Transitions Performance Index (“TPI”) scores, above average wages, employee retention rates, research and development spend, international sales or private label sales (as indicators of investment in local economic growth and quality employment opportunities), and diversity metrics.

Each metric has a threshold or benchmark that the company must meet in order to be considered aligned with a sustainability theme, e.g. at least 20% for aligned revenues or above country or industry averages on other metrics. Further detail regarding the relevant metrics for each sub-theme is set out under What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product? below.

We obtain data on these metrics from company reporting and third party sources.

● ***How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?***

The Fund’s sustainable investments aim not to cause significant harm to any relevant environmental or social objectives by screening investments for: (i) minimum social safeguards and (ii) Principal Adverse Impact (“PAI”) indicator screens. Companies that pass both data screens, and have a measurable positive contribution to environmental or social objectives are considered sustainable investments.

With respect to the PAI screen, the Investment Adviser considers all mandatory PAI indicators that are relevant to the investment. The Investment Adviser uses all available data sources including company reported and third party vendors and have thresholds for each PAI indicator.

– ***How have the indicators for adverse impacts on sustainability factors been taken into account?***

As part of the do no significant harm test for sustainable investments, the Fund assesses the mandatory PAI indicators (listed below) that are (i) relevant to the investment, and (ii) deemed material to a particular issuer, based on third party data providers’ assessment of materiality.

PAI indicators:

**Investee companies**

1. GHG emissions

Principal adverse impacts are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.



2. Carbon Footprint
3. GHG intensity of investee companies
4. Exposure to companies active in the fossil sector
5. Share of non-renewable energy consumption and production
6. Energy consumption intensity per high impact climate sector
7. Activities negatively affecting biodiversity sensitive areas
8. Emissions to water
9. Hazardous waste ratio
10. Violations of UN Global Compact and OECD
11. Lack of processes and compliance mechanisms to monitor compliance with the UNGC and OECD
12. Unadjusted gender pay gap
13. Board gender diversity
14. Exposure to controversial weapons

Companies with more than two missing PAI indicator data points will not be considered sustainable investments due to lack of data.

For each mandatory PAI the Fund sets thresholds specific to that PAI to determine whether significant harm is caused.

PAI indicators are sourced from company reported data, third-party data and the investment team's engagements with company management. The Investment Adviser will use third party information, but may supplement individual data points based on company engagements or company websites.

The Investment Adviser may use reasonable proxy indicators sourced from third parties to address the current lack of data for certain PAI indicators. The Investment Adviser's use of proxy indicators will be kept under review and will be replaced by PAI data from third-party data providers, when the Investment Adviser determines that sufficiently reliable data has become available.

– *How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:*

The Fund's investments are screened for minimum social safeguards, before going through the PAI screen described above.

The Investment Adviser uses third party data sources to undertake minimum social safeguards screening. The screening undertaken includes identification of companies which are subject to UNGC and OECD controversy and compliance flags, as well as flags for compliance with international norms. In addition, the Fund excludes investments in issuers that fail to comply with the UN Global Compact, or the OECD Guidelines for Multinational Enterprises.

Details on the screening approach are provided in the Fund's Restriction Screening and ESG Policy, available on [www.morganstanleyinvestmentfunds.com](http://www.morganstanleyinvestmentfunds.com) and on [www.morganstanley.com/im](http://www.morganstanley.com/im).

*The EU Taxonomy sets out a “do not significant harm” principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.*

*The “do no significant harm” principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.*

*Any other sustainable investments must also not significantly harm any environmental or social objectives.*

*Regulation requires that this document include these statements. However, for the avoidance of doubt, this Fund does not: (i) take into account the EU criteria for environmentally sustainable economic activities in the EU Taxonomy; or (ii) calculate its portfolio alignment with the EU Taxonomy. As such, the Fund is 0% aligned with the EU Taxonomy. The “do no significant harm” principle applies only to the portion of the Fund’s investments that are sustainable investments.*



### Does this financial product consider principal adverse impacts on sustainability factors?

- Yes  
 No

The Fund considers all of the mandatory PAI indicators on sustainability factors which are relevant to the investment for the portion allocated to sustainable investments, as described above. The portion of the Fund that is not made of sustainable investments considers certain PAI through the Fund’s exclusionary criteria as follows:

- The Fund excludes issuers whose core business is in thermal coal mining and extraction, thermal coal power generation and fossil fuels. The Fund therefore partly considers PAI indicator number 4: exposure to companies active in the fossil fuel sector.
- The Fund excludes issuers which derive any revenue from controversial weapons manufacturing or retail. The Fund therefore considers PAI indicator number 14: exposure to controversial weapons.
- The Fund excludes issuers which have committed violations of the UN Global Compact, the UN Guiding Principles on Business and Human Rights, or the ILO Fundamental Principles, or which have experienced very severe controversies relating to violations of the OECD Guidelines for Multinational Enterprises. The Fund therefore considers PAI indicator number 10: violations of UN Global Compact principles and OECD Guidelines for Multinational Enterprises.

Lastly, the Fund considers engagement and stewardship with issuers across all relevant mandatory PAI indicators in the SFDR rules on a materiality basis, meaning if the Investment Adviser considers a particular PAI indicator to be materially relevant to, or impacted by, the activities of the issuer, the Investment Advisor will engage on that PAI.

The Fund will make information available on how it has incorporated the PAIs in its periodic reports to investors.



**The investment strategy** guides investment decisions based on factors such as investment objectives and risk tolerance.

## What investment strategy does this financial product follow?

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 uses a top down country allocation and bottom up stock selection process to select investments.

The investment process is subject to regular review, as part of a control and monitoring framework implemented by the Investment Adviser and the Management Company. Morgan Stanley Investment Management's Compliance, Risk and Portfolio Surveillance teams collaborate with the investment teams to conduct regular portfolio/performance reviews and systemic checks to ensure compliance with portfolio investment objectives, investment and client guidelines, taking into account changing market conditions, information and strategy developments.

● ***What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?***

**Thematic alignment to sustainable development:** The Fund commits to having a minimum 40% of the portfolio thematically aligned to sustainable development in chosen sub-themes, using the metrics below.

Sub-theme	Description	Metrics
Responsible Energy Transition	Companies that are enabling the transition, or companies in high-emitting sectors with Paris Aligned decarbonization pathways	<p>Aligned Revenues &gt;20% from renewable energy products and services and/or energy efficiency products or services, or enabling materials or technology or TPI Score 3 or above. TPI evaluates companies' climate actions and assigns a score from 0-4 with 4 being the highest. The Investment Adviser uses TPI scores as a proxy for evaluating a company's energy transition progress in addition to its active engagements with companies. A TPI score of 3 or 4 signifies that the company is managing the risks and opportunities relating to the transition to a low carbon economy.</p> <p>The fund may also use third-party (such as MSCI or ISS) scores derived from activities aligned with sustainable development goals to determine thematic alignment.</p>

Sustainable Production & Circular Economy	Companies that are either integrating circular economy practices as a core part of their businesses or whose products and services align with circular economies, improve recycling infrastructure, waste management processes, sustainable materials sourcing and/or sustainable packaging	<p>Aligned revenues &gt;20% from renewable and/or recyclable products or services, or operational alignment of &gt;50% of waste recycled, recycled materials or water recycled.</p> <p>The fund may also use third-party (such as MSCI or ISS) scores derived from activities aligned with sustainable development goals to determine thematic alignment.</p>
Improved Access, Affordability & Sustainable Economic Growth	Companies with a business model which increases access to and affordability of goods and services, such as food, medicines, health care, banking, insurance, and education. Such companies help foster increased productivity and quality of life for individuals. Increasing productivity is a key driver of real income growth and sustainable economic growth.	<p>Aligned revenues &gt;20% from affordable and/or equitable financial services; affordable and/or equitable food and/or fast moving consumer goods (FMCG);</p> <p>affordable and/ or equitable health care goods and services and/or basic services such as telecommunications, sanitation, water etc and/or operational alignment above country average from financial inclusion and healthcare access.</p> <p>The fund may also use third-party (such as MSCI or ISS) scores derived from activities aligned with sustainable development goals to determine thematic alignment.</p>
Decent Work & Innovation	Companies which are creating high quality jobs, developing human capital, and investing in research and development and innovation. Private sector job creation is critical driver of sustainable economic growth, and social development. Innovation and globally competitive corporates are key drivers of productivity growth and sustainable income growth for a country overall.	<p>Operational alignment as measured by average monthly wage above country living wage, or turnover rate below industry average, or % women in middle/senior management above country average</p> <p>or Research &amp; Development expenditures/sales above 3% or International sales above 35%.</p> <p>The fund may also use third-party (such as MSCI or ISS) scores derived from activities aligned with sustainable development goals to determine thematic alignment.</p>

Each metric has a threshold or benchmark that the company must meet in order to be considered aligned with a sustainability theme, e.g. at least 20% for aligned revenues or above industry or country averages on other metrics. The Investment Adviser may also add metrics should new industries be added that are not currently covered.

**ESG exclusions:** The Fund avoids investments in certain industries with the potential to cause harm to the Fund's environmental and social characteristics by applying binding exclusions, detailed in the Fund's Restriction Screening and ESG Policy, available on [www.morganstanleyinvestmentfunds.com](http://www.morganstanleyinvestmentfunds.com) and on [www.morganstanley.com/im](http://www.morganstanley.com/im).

In particular, the Fund excludes investments in the following:

- (i) companies whose core business is fossil fuels, thermal coal mining extraction, thermal coal-based power generation, adult entertainment, tobacco or alcohol;
- (ii) companies with more than 5% revenue from Arctic oil and gas, oil sands, and gambling; and
- (iii) companies with any exposure to civilian firearms or controversial weapons.

In addition, the Fund also excludes investments in the following:

- (i) the MSCI EM index's highest carbon emitters (top 20 emitters for absolute emissions and top 80 emitters for emissions intensity); and
- (ii) state-owned enterprises (SOEs) in all sectors in emerging markets, given the frequent misalignment of governance with shareholder interests. The Investment Adviser defines state owned enterprise as 35% state ownership. Please note the Fund may invest in certain SOEs (a) in the financials, health care or communication services sector category or (b) if, in the view of the Investment Adviser, the issuer in question can demonstrate strong ESG performance or material improvement on ESG matters.

These exclusions are implemented in line with the Fund's Restriction Screening and ESG Policy, available on [www.morganstanleyinvestmentfunds.com](http://www.morganstanleyinvestmentfunds.com) and on [www.morganstanley.com/im](http://www.morganstanley.com/im).

The Investment Adviser may apply additional ESG-related investment restrictions over time that it believes are consistent with the Fund's investment objectives and its environmental and social characteristics. Such additional investment 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).

**Carbon footprint:** the Fund seeks to achieve a lower carbon footprint than the MSCI Emerging Markets Index in aggregate at the portfolio level.

**Sustainable investments:** The Fund also invests a minimum of 20% of its portfolio in companies defined as sustainable investments, which are aligned with the sustainability themes described above in response to the question "What environmental and/or social characteristics are promoted by this financial product?", and which the Investment Adviser has determined to do no significant harm to any relevant environmental or social objectives as described above.

● ***What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?***

The Fund commits to a 20% or more reduction of the investible universe (achieved through the binding exclusions described in response to the previous question), prior to sourcing potential investments.

**Good governance** practices include sound management structures, employee relations, remuneration of staff and tax compliance.

● **What is the policy to assess good governance practices of the investee companies?**

All investee companies within the Fund are assessed on their governance which is embedded in the investment process and considered as part of initial research and stock selection. The team also engages with companies and boards directly on issues material to governance, among other issues. An investment has to be considered by the Investment Advisor to have good governance to be included within the portfolio.

As an input to its governance assessment, the investment team has also chosen several third-party binary (pass/fail) proxy indicators to assess issuer management structures, employee relations, the remuneration of staff and tax compliance, to the extent they are covered by third party providers. In the event that an issuer fails under one of these proxy indicators, the default position is that the issuer will be excluded from the Fund. The Investment Adviser may include issuers that fail on one or more of these proxy indicators where (i) it considers that the third party data is inaccurate or out of date; or (ii) it considers that, upon review, the issuer is exhibiting good governance practices overall (such that the results of the proxy indicator tests do not in fact indicate a material impact on good governance). In reaching this determination, the Investment Adviser may take into account any remedial actions being undertaken by the company.

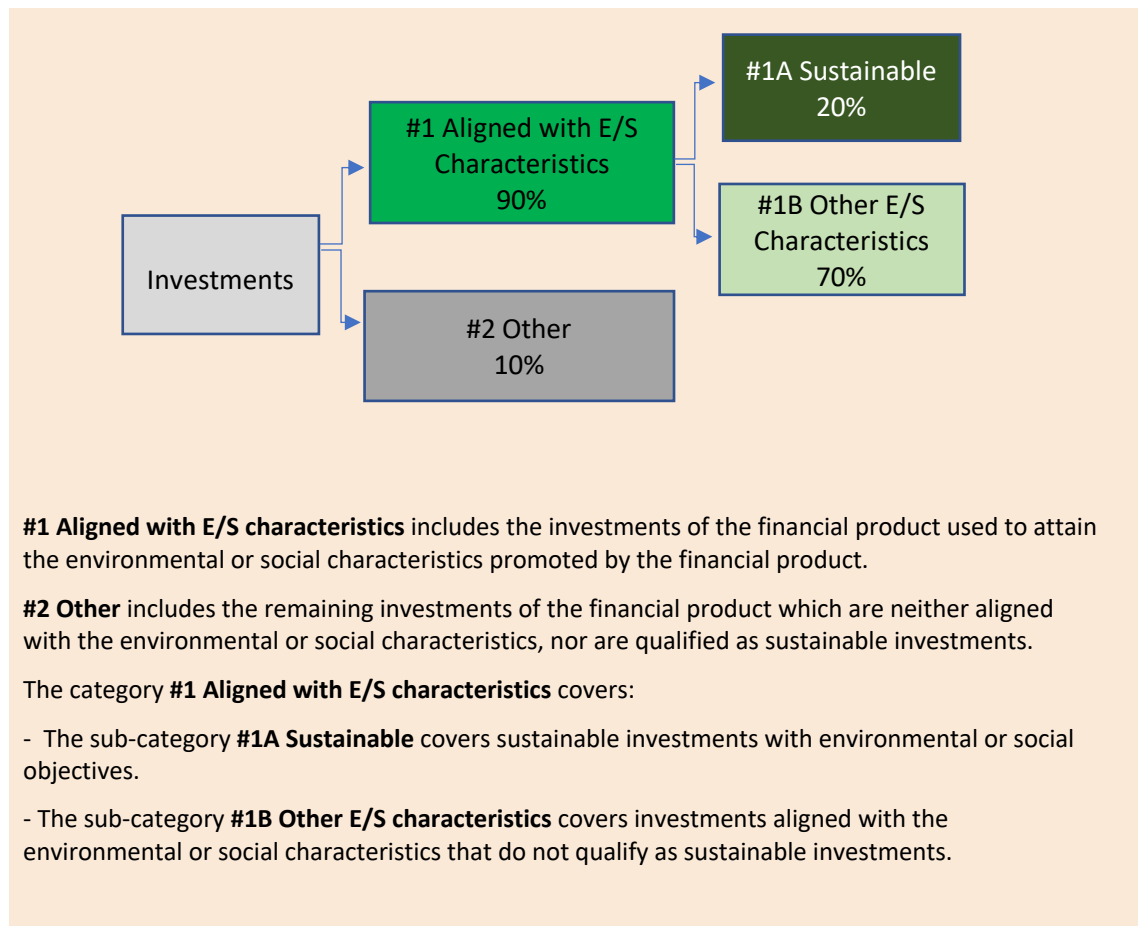


**Asset allocation** describes the share of investments in specific assets.

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.

**What is the asset allocation planned for this financial product?**



A minimum of 90% of the Fund’s investments will be aligned with environmental and social characteristics; this includes the Fund’s 40% investments aligned with sustainable themes. The Fund will allocate a minimum of 20% of its assets to sustainable investments. Among these, the Fund commits to make 1% of sustainable investments with an environmental objective and 1% of sustainable investments with a social objective which can both vary independently at any time.

As explained above, the Fund’s aim to maintain a lower carbon footprint than the MSCI AC Asia Ex Japan Index is applied at a portfolio level (and not at the level of individual holdings, some of

which may on an individual basis have a higher carbon intensity than the portfolio level average or target).

The remaining 10% of the Fund’s investments will not be aligned with E/S characteristics.

● **How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?**

Not applicable



**To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?**

Not applicable – the Investment Adviser does not take account of the EU Taxonomy in its management of the Fund and as such the Fund’s sustainable investments do not take into account the criteria for environmentally sustainable economic activities under the EU Taxonomy.

● **Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy<sup>1</sup>?**

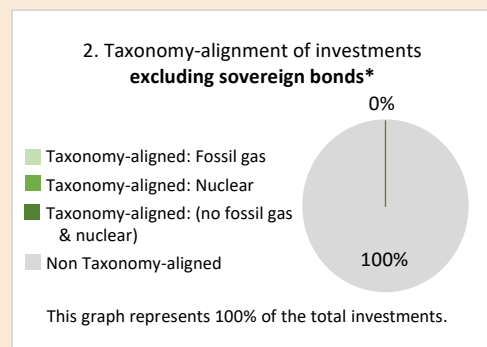
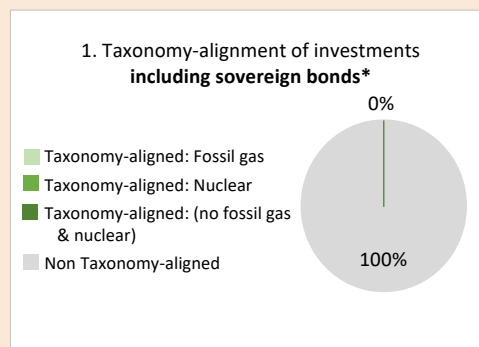
- Yes:
  - In fossil gas     In nuclear energy
- No

To comply with EU Taxonomy, the criteria for **fossil gas** include limitations on emission and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

**Transitional activities** are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

*The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.*



\* For the purpose of these graphs, ‘sovereign bonds’ consist of all sovereign exposures.

<sup>1</sup> Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change (“climate change mitigation”) and do not significantly harm any EU Taxonomy objective – see explanatory note in the left-hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

● **What is the minimum share of investments in transitional and enabling activities?**

Not applicable - Although the Fund commits to invest in sustainable investments within the meaning of the SFDR, there is no commitment to a minimum share of investments in transitional and enabling activities.



are sustainable investments with an environmental objective that **do not take into account** the criteria for environmentally sustainable economic activities under the EU Taxonomy.

**What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?**

The Fund intends to make a minimum of 20% of sustainable investments, as defined under the SFDR. Among these, the Fund commits to make a minimum of 1% of sustainable investments with an environmental objective and 1% of sustainable investments with a social objective which can both vary independently at any time. These sustainable investments will represent at least 20% of the portfolio holdings on an aggregated basis.

The Fund's sustainable investments with an environmental objective do not take into account the criteria for environmentally sustainable economic activities under the EU Taxonomy. The EU Taxonomy does not comprehensively cover all industries and sectors, or even all environmental objectives. Accordingly, the Investment Adviser uses its own methodology to determine whether certain investments are sustainable in accordance with the Sustainable Finance Disclosure Regulation ("SFDR") sustainable investment test, and then partly invests in the Fund in such assets.



**What is the minimum share of socially sustainable investments?**

The Fund intends to make a minimum of 20% of sustainable investments. Among these, the Fund commits to make a minimum of 1% of sustainable investments with an environmental objective and 1% of sustainable investments with a social objective which can both vary independently at any time. These sustainable investments will represent at least 20% of the portfolio holdings on an aggregated basis.



**What investments are included under "#2 Other", what is their purpose and are there any minimum environmental or social safeguards?**

The "#2 Other" category is expected to be made up of (i) companies with no sustainable theme or where a dedicated company engagement to supplement data points has not yet been completed, (ii) hedging instruments and/or (iii) cash held for ancillary liquidity. These investments are not subject to minimum environmental or social safeguards.



**Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?**

Not applicable

**Reference benchmarks** are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.





## Where can I find more product specific information online?

More product-specific information can be found on the website:

[https://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite\\_msinvf\\_sustainableemergingmarketsequity\\_en.pdf](https://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite_msinvf_sustainableemergingmarketsequity_en.pdf)

**Template pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852**

**Product name:**

Tailwinds Fund

**Legal entity identifier:**

254900DUO6ANON66OY60

## Environmental and/or social characteristics

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**.

That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

**Does this financial product have a sustainable investment objective?**

<input checked="" type="radio"/> <input type="radio"/> <input type="checkbox"/> <b>Yes</b>	<input type="radio"/> <input checked="" type="radio"/> <input checked="" type="checkbox"/> <b>No</b>
<input type="checkbox"/> It will make a minimum of <b>sustainable investments with an environmental objective:</b> ___% <ul style="list-style-type: none"> <li><input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> </ul> <input type="checkbox"/> It will make a minimum of <b>sustainable investments with a social objective:</b> ___%	<input type="checkbox"/> It <b>promotes Environmental/Social (E/S) characteristics</b> and while it does not have as its objective a sustainable investment, it will have a minimum proportion of ___% of sustainable investments <ul style="list-style-type: none"> <li><input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> with a social objective</li> </ul> <input checked="" type="checkbox"/> It promotes E/S characteristics, but <b>will not make any sustainable investments</b>



## What environmental and/or social characteristics are promoted by this financial product?

The Fund promotes the following environmental and social characteristics:

- limiting environmental externalities by excluding investments in coal; and
- avoiding investments in certain activities which can cause harm to human health and wellbeing, including tobacco and certain weapons, comprising civilian firearms, cluster munitions and anti-personnel mines

The Fund has not designated a reference benchmark for the purpose of attaining its environmental or social characteristics.

**Sustainability indicators** measure how the environmental or social characteristics promoted by the financial product are attained.

### ● **What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?**

The sustainability indicator is the percentage of companies in the Fund which breach the exclusionary screens. The sustainability indicator will therefore be that 0% of the Fund's investments are in violation of the Fund's Restriction Screening Policy. Compliance with the exclusions is monitored on an ongoing basis through an automated process, comprising pre- and post-trade guideline monitoring and exception-based screening.

### ● **What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?**

Not applicable

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

- ***How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?***

Not applicable.

*The EU Taxonomy sets out a “do not significant harm” principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.*

The “do no significant harm” principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

*Any other sustainable investments must also not significantly harm any environmental or social objectives.*



## Does this financial product consider principal adverse impacts on sustainability factors?

Yes

No

The Fund considers principal adverse impacts (“PAI”) on sustainability factors only in part, as follows:

The Fund excludes issuers which receive a certain percentage of their revenue from thermal coal mining and extraction. The Fund therefore partly considers the PAI indicator (4) exposure to companies active in the fossil fuel sector.

The Fund excludes issuers which are involved in manufacturing the core weapon system of cluster munitions and anti-personnel mines. The Fund therefore partly considers the PAI indicator (14) exposure to controversial weapons.

Where the Investment Adviser considers the following PAI indicators to be materially relevant to, or impacted by, the activities of the issuer, it will also consider the following PAIs on sustainability factors. This will be done by the Investment Advisor (a) integrating ESG analysis within the research process and/or (b) engaging with management of investee companies. The PAIs considered are the following:

PAI indicator (1): Greenhouse gas emissions (GHG).

PAI indicator (3): GHG intensity.

PAI indicator (5): Non-Renewable energy consumption and production; and

PAI indicator (6): Energy consumption intensity per high impact climate sector.

As a result, the Fund contributes to mitigating the Fund’s adverse impacts on these sustainability factors.

The Fund will make information available on how it has incorporated the PAIs into the Fund in its periodic reports to investors.

## What investment strategy does this financial product follow?

The Portfolio invests primarily in securities of companies located in the United States and internationally that are benefitting from or driving Sustainability Research Tailwinds. These Tailwinds include Economic Empowerment, Health, Access Democratization, Inclusive Communities, Resource Efficiency, Downstream Efficiency, Data Security, Effective Institutions, Stakeholder Cultures, and Structural Longtermism. Further descriptions of these Tailwinds provided:

- Economic Empowerment: Platforms enabling socio-economic empowerment and entrepreneurialism that enable increased business formation, allowing more individuals access to economic independence.
- Health: Healthcare innovation driving wellness by improving patient outcomes by the discovery of new therapies, improving patient behavior, increasing efficiency in the healthcare system, or extending healthcare access across the globe
- Access Democratization: Consumer democratization of access supporting consumer empowerment. By broadening individual access to knowledge, opportunities, services, or capital, employees and consumers are empowered to make better decisions which may lead to improved societal outcomes.
- Inclusive Communities: Communities and tools enabling belonging and inclusion, including deeper human connection, communication, collaboration and understanding, which is not just societally altruistic but can also create a loyal community that can be the foundation for an enduring business.



**The investment strategy** guides investment decisions based on factors such as investment objectives and risk tolerance.

- **Resource Efficiency:** Upstream opportunities enabling efficiencies and/or reduced waste in manufacturing and supply chains, transportation, energy production, or agriculture, resulting in improved environmental outcomes.
- **Downstream Efficiency:** Waste management and circularity minimizing environmental costs; Enabling improved building construction and energy consumption; and carbon sequestration, all resulting in improved environmental outcomes.
- **Data Security:** Cyber security protecting data and privacy allow for both individual and enterprise safety of digital assets from unauthorized exploitation of data, systems, networks and technologies.
- **Effective Institutions:** Public institution effectiveness and safety. Tools and platforms that increased societal security, transparency, and efficiency at all levels of government, law enforcement and global development organizations lead to more efficiency and safer communities.
- **Stakeholder Cultures:** Ecosystem focus strengthening uniqueness durability and stakeholder alignment. When corporates align incentives between different stakeholders including employees, shareholders and the broader society, everyone wins.
- **Structural Longermism:** Structures supporting long-term value creation. Corporates with Boards of Directors, governance structures, and compensation schemes aligned for long-term value creation are more adaptable, positioning themselves to benefit from change rather than be disrupted by it, leading to better outcomes for their employees, their consumers, and broader society.

At least 50% of the Fund investments will have a material revenue or capital expenditure alignment (10% or greater) with at least one of the ten Tailwinds above.

Binding restriction screens are applied to the Fund to restrict investments in corporate issuers whose industry classification or core business activity, determined in accordance with the methodology set out below, involves:

- Tobacco;
- Coal; or
- Weapons, comprising civilian firearms, cluster munitions and anti-personnel mines.

The methodology used to determine industry classification or core business activity for the purpose of the above-described screening is as follows:

- 1) Global Industry Classification Standard (GICS) Sub-Industry is Tobacco or Coal & Consumable Fuels;
- 2) Revenue (as defined by external third-party data):
  - more than 5% of its recent-year revenue (or estimated revenue) from Tobacco;
  - more than 10% of its recent-year revenue (or estimated revenue) from Thermal Coal;
  - more than 10% of its recent-year revenue (or estimated revenue) from the Manufacture of Civilian Firearms and ammunition; or
- 3) Involvement as identified by an external third-party data provider through corporate ownership, in manufacturing the core weapon system, or components/services of the core weapon system that are considered tailor-made and essential for the lethal use of the weapon, or cluster munitions and anti-personnel mines.

No minimum reduction rate has been defined in relation to the Fund's scope of investments. However, the Investment Adviser anticipates that the application of the exclusions described above will reduce the scope of the Fund's investment universe by 1 - 5%.

**What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?**

The binding elements of the investment strategy used to select the investments to achieve the E/S characteristics promoted are the following:

- The Fund will only invest in corporates that comply with the exclusionary screens detailed within the investment strategy section above.

Investments that are held by the Fund but which breach one of the above exclusionary screens 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.

- ***What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?***

Not applicable.

- ***What is the policy to assess good governance practices of the investee companies?***

As part of the Fund's holistic approach to ESG, the Investment Adviser of the Fund assesses governance practices of investee companies, including but not limited to looking at the management structures, employee relations, remuneration of staff, and tax compliance of such companies. This is framed by a set of questions applied consistently across companies. Topics include, but are not limited to, management incentives aligned with the long-term interest of shareholders, capital allocation, independent and engaged boards, and transparency of accounting.

**Good governance** practices include sound management structures, employee relations, remuneration of staff and tax compliance.



### Asset allocation

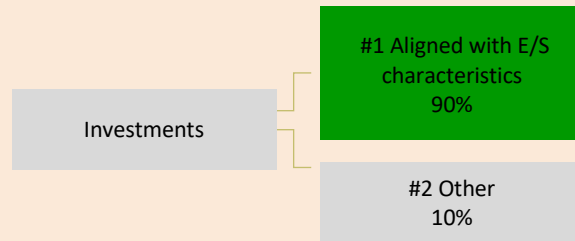
describes the share of investments in specific assets.

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.



## What is the asset allocation planned for this financial product?



**#1 Aligned with E/S characteristics** includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

**#2 Other** includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

Category #1 investments (i.e. those aligned with E/S characteristics) comprise all investments that are screened against the Fund's Restriction Screening Policy. Category #2 investments are those investments that are not screened against the Fund's Restriction Screening Policy.

The entirety of the Fund, apart from cash and derivatives held for efficient portfolio management purposes, are screened against the Fund's Restriction Screening Policy. This comprises 90% of the Fund. Accordingly, at least 90% of the Fund are Category #1 investments and the remaining 10% of the Fund (comprising cash held for liquidity purposes and derivatives held for hedging purposes) are Category #2 investments.

These percentages are measured according to the value of the investments.

- **How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?**

Not applicable.

- **To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?**

The Fund does not commit to making a minimum portion of sustainable investments with an environmental objective aligned with the EU Taxonomy.

- **Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy<sup>1</sup>?**

<sup>1</sup> Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objective – see explanatory note in the left-hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.



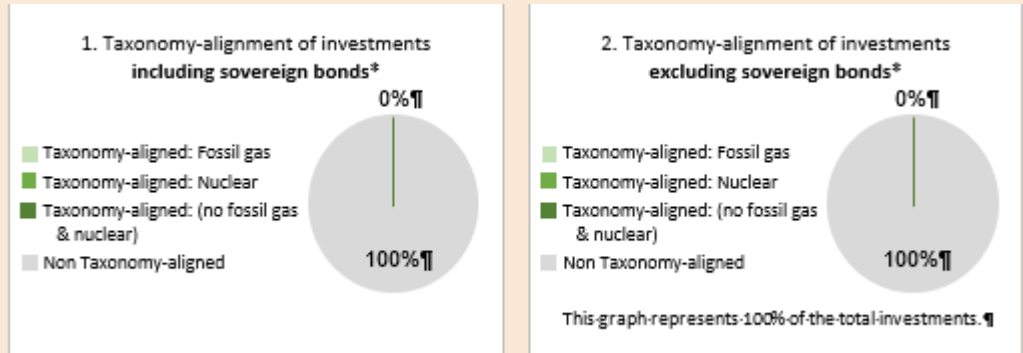
To comply with EU Taxonomy, the criteria for **fossil gas** include limitations on emission and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

**Transitional activities** are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

- Yes:
  - In fossil gas
  - In nuclear energy
- No

*The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.*



\* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures.

● **What is the minimum share of investments in transitional and enabling activities?**

As the Fund does not commit to invest any sustainable investment within the meaning of the EU Taxonomy, the minimum share of investments in transitional and enabling activities within the meaning of the EU Taxonomy is therefore also set at 0%.



are sustainable investments with an environmental objective that **do not take into account** the criteria for environment-ally sustainable economic activities under the EU Taxonomy.

### What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?

The Fund promotes environmental and social characteristics but does not commit to making any sustainable investments. As a consequence, the Fund does not commit to a minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy.



### What is the minimum share of socially sustainable investments?

Not applicable.



### What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?

Up to 10% of the Fund, comprising cash and derivatives held for efficient portfolio management purposes, are Category “#2 Other” investments. These instruments are not subject to environmental and/or social screening or any minimum environmental or social safeguards.



**Reference benchmarks** are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.

### Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?

Not applicable.



### Where can I find more product specific information online?

More product-specific information can be found on the website:

[www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite\\_msinvf\\_tailwinds\\_en.pdf](http://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite_msinvf_tailwinds_en.pdf)

**Pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852**

**Product name:**  
US Advantage Fund

**Legal entity identifier:**  
2NPF4LYIICQVCUT1Q64

## Environmental and/or social characteristics

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**.

That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

Does this financial product have a sustainable investment objective?	
●● <input type="checkbox"/> Yes	●● <input checked="" type="checkbox"/> No
<input type="checkbox"/> It will make a minimum of <b>sustainable investments with an environmental objective: ___%</b> <ul style="list-style-type: none"> <li><input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> </ul>	<input type="checkbox"/> It <b>promotes Environmental/Social (E/S) characteristics</b> and while it does not have as its objective a sustainable investment, it will have a minimum proportion of ___% of sustainable investments <ul style="list-style-type: none"> <li><input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> with a social objective</li> </ul>
<input type="checkbox"/> It will make a minimum of <b>sustainable investments with a social objective: ___%</b>	<input checked="" type="checkbox"/> It promotes E/S characteristics, but <b>will not make any sustainable investments</b>



## What environmental and/or social characteristics are promoted by this financial product?

The Fund promotes the following environmental and social characteristics:

- the Fund promotes the environmental characteristic of limiting environmental externalities by excluding investments in thermal coal; and
- the Fund promotes the social characteristic of avoiding investments in certain activities which can cause harm to human health and wellbeing, including tobacco and certain weapons, comprising civilian firearms, cluster munitions and anti-personnel mines.

These exclusions are implemented in line with the Fund's Restriction Screening Policy, which can be found on [www.morganstanley.com/im](https://www.morganstanley.com/im/publication/msinvf/material/rsp_msinvf_counterpointglobal_en.pdf) at [https://www.morganstanley.com/im/publication/msinvf/material/rsp\\_msinvf\\_counterpointglobal\\_en.pdf](https://www.morganstanley.com/im/publication/msinvf/material/rsp_msinvf_counterpointglobal_en.pdf)

Further detail on the nature of these exclusions is set out below (in response to the question "What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?").

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Fund.

**Sustainability indicators** measure how the environmental or social characteristics promoted by the financial product are attained.

- **What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?**

The sustainability indicator is the percentage of companies in the Fund which breach the exclusionary screens. The sustainability indicator will therefore be that 0% of the Fund's investments are in violation of the Fund's Restriction Screening Policy.

Compliance with the exclusions is monitored on an ongoing basis through an automated process, comprising pre- and post-trade guideline monitoring and exception-based screening.

- **What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?**

Not applicable

- **How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?**

Not applicable

- **How have the indicators for adverse impacts on sustainability factors been taken into account?**

Not applicable

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

- *How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:*

Not applicable

*The EU Taxonomy sets out a “do not significant harm” principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.*

*The “do no significant harm” principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.*

*Any other sustainable investments must also not significantly harm any environmental or social objectives.*

*Regulation requires that this document include these statements. However, for the avoidance of doubt, this Fund does not: (i) take into account the EU criteria for environmentally sustainable economic activities in the EU Taxonomy; or (ii) calculate its portfolio alignment with the EU Taxonomy. As such, the Fund is 0% aligned with the EU Taxonomy. The “do no significant harm” principle applies only to the portion of the Fund’s investments that are sustainable investments.*



### Does this financial product consider principal adverse impacts on sustainability factors?

- Yes  
 No

The Fund considers principal adverse impacts (“PAI”) on sustainability factors only in part, as follows:

The Fund excludes issuers which receive a certain percentage of their revenue from thermal coal mining and extraction. The Fund therefore partly considers the PAI indicator (4) exposure to companies active in the fossil fuel sector.

The Fund excludes issuers which are involved in manufacturing the core weapon system of cluster munitions and anti-personnel mines. The Fund therefore partly considers the PAI indicator (14) exposure to controversial weapons.

Where the Investment Adviser considers the following PAI indicators to be materially relevant to, or impacted by, the activities of the issuer, it will also consider the following PAIs on sustainability factors. This will be done by the Investment Advisor (a) integrating ESG analysis within the research process and/or (b) engaging with management of investee companies. The PAIs considered are the following:

PAI indicator (1): Greenhouse gas emissions (GHG).

PAI indicator (3): GHG intensity.

PAI indicator (5): Non-Renewable energy consumption and production; and

PAI indicator (6): Energy consumption intensity per high impact climate sector.

As a result, the Fund contributes to mitigating the Fund’s adverse impacts on these sustainability factors.



**The investment strategy** guides investment decisions based on factors such as investment objectives and risk tolerance.

## What investment strategy does this financial product follow?

The Fund seeks long-term capital appreciation by investing primarily in established large-capitalization US companies and on an ancillary basis in securities issued by companies that are not from the US. To achieve its objective, the investment team typically invests in companies it believes have strong name recognition, sustainable competitive advantages with above average business visibility, the ability to deploy capital at high rates of return, strong balance sheets and an attractive risk/reward. The investment process integrates analysis of sustainability by using ESG factors as a lens for additional fundamental research, which can contribute to investment decision-making. The Investment Adviser seeks to understand how environmental and social initiatives within companies can create value by strengthening durable competitive advantages, creating growth opportunities, driving profitability, and/or aligning with secular growth trends. The Investment Adviser generally engages with company management teams to discuss their ESG practices, with the aim of identifying how sustainability themes present opportunities and risks that can be material to the value of the security over the long term.

### ● **What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?**

Binding restriction screens are applied to the Fund to restrict investments in corporate issuers whose industry classification or core business activity, determined in accordance with the methodology set out below, involves:

- Tobacco.
- Coal; or
- Weapons, comprising civilian firearms, cluster munitions and anti-personnel mines.

The methodology used to determine industry classification or core business activity for the purpose of the above-described screening is as follows:

- 1) Global Industry Classification Standard (GICS) Sub-Industry is Tobacco or Coal & Consumable Fuels;
- 2) Revenue (as defined by external third-party data):
  - more than 5% of its recent-year revenue (or estimated revenue) from Tobacco;
  - more than 10% of its recent-year revenue (or estimated revenue) from Thermal Coal;
  - more than 10% of its recent-year revenue (or estimated revenue) from the Manufacture of Civilian Firearms and ammunition; or
- 3) Involvement as identified by an external third-party data provider through corporate ownership, in manufacturing the core weapon system, or components/services of the core weapon system that are considered tailor-made and essential for the lethal use of the weapon, or cluster munitions and anti-personnel mines.

Investments that are held by the Fund but which breach one of the above exclusionary screens 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.

### ● **What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?**

Not applicable. No minimum reduction rate has been defined in relation to the Fund's scope of investments. However, the Investment Adviser anticipates that the application of the exclusions described above will reduce the scope of the Fund's investment universe by up to 2%.

**Good governance** practices include sound management structures, employee relations, remuneration of staff and tax compliance.



**Asset allocation** describes the share of investments in specific assets.

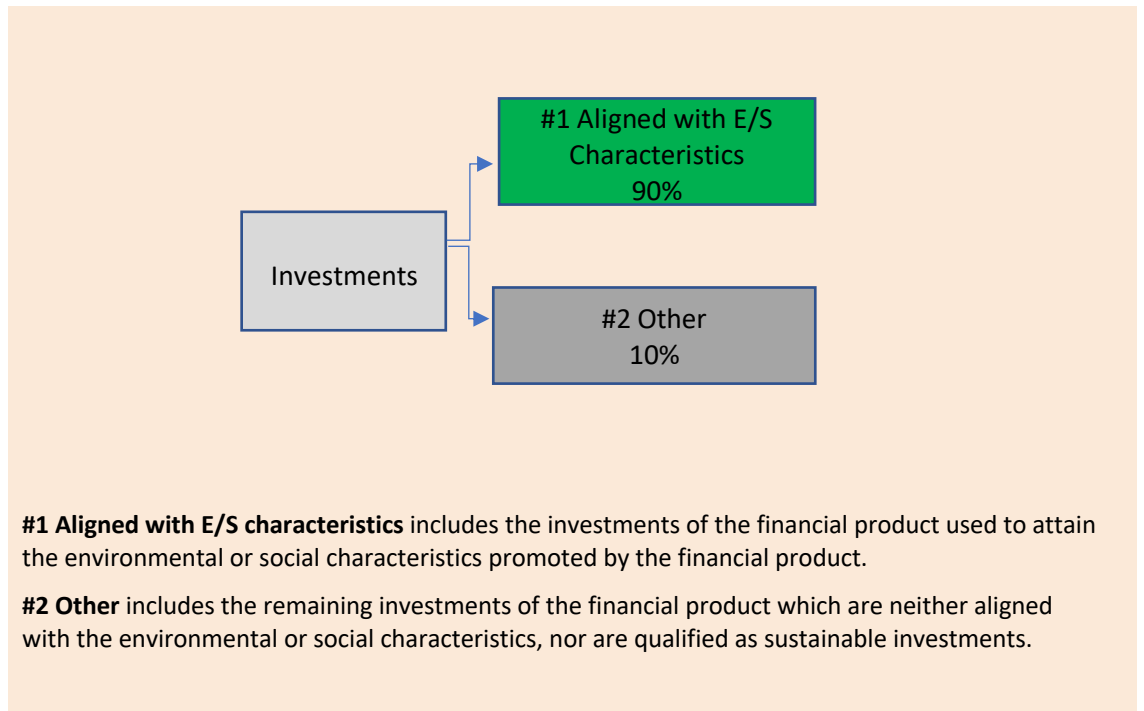
Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.

● **What is the policy to assess good governance practices of the investee companies?**

As part of the Fund's holistic approach to considering sustainability research and factors, the Investment Adviser of the Fund assesses governance practices of investee companies, including but not limited to looking at the management structures, employee relations, remuneration of staff, and tax compliance of such companies. In particular, the Investment Advisor uses a proprietary, systematic evaluation of governance policies, specifically focusing on compensation alignment on long-term value creation.

**What is the asset allocation planned for this financial product?**



**#1 Aligned with E/S characteristics** includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

**#2 Other** includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

Category #1 investments (i.e. those aligned with E/S characteristics) comprise all investments that are screened against the Fund's Restriction Screening Policy. Category #2 investments are those investments that are not screened against the Fund's Restriction Screening Policy.

The entirety of the Fund, apart from cash and derivatives held for efficient portfolio management purposes, are screened against the Fund's Restriction Screening Policy. This comprises 90% of the Fund. Accordingly, at least 90% of the Fund are Category #1 investments and the remaining 10% of the Fund (comprising cash and derivatives held for hedging purposes) are Category #2 investments.

These percentages are measured according to the value of the investments.

● **How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?**

Not applicable – the Fund does not use derivatives to attain its environmental or social characteristics.



**To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?**

Not applicable

● **Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy<sup>1</sup>?**

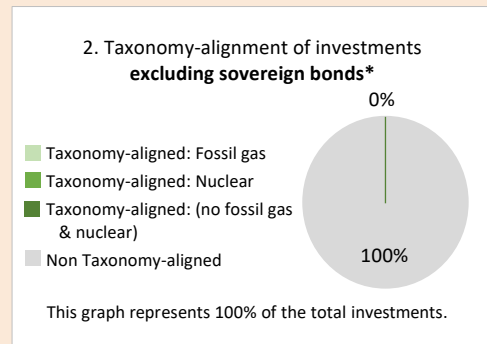
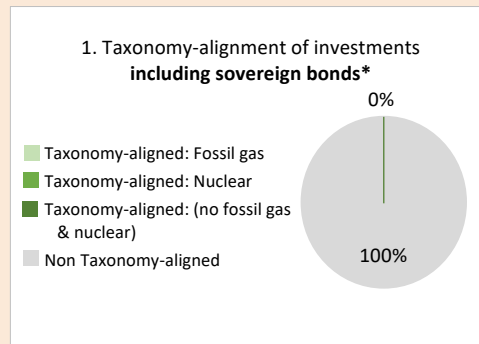
- Yes:
  - In fossil gas     In nuclear energy
- No

To comply with EU Taxonomy, the criteria for **fossil gas** include limitations on emission and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

**Transitional activities** are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

*The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.*



\* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures.

● **What is the minimum share of investments in transitional and enabling activities?**

Not applicable

<sup>1</sup> Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objective – see explanatory note in the left-hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.





### What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?

Not applicable



are sustainable investments with an environmental objective that **do not take into account** the criteria for environmentally sustainable economic activities under the EU Taxonomy.



### What is the minimum share of socially sustainable investments?

Not applicable.



### What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?

10% of the Fund, comprising cash and derivatives held for efficient portfolio management purposes, are Category “#2 Other” investments. These instruments are not subject to environmental and/or social screening or any minimum environmental or social safeguards.



### Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?

Not applicable

**Reference benchmarks** are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.



### Where can I find more product specific information online?

More product-specific information can be found on the website:

[https://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite\\_msinvf\\_usadvantage\\_en.pdf](https://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite_msinvf_usadvantage_en.pdf)

**Pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852**

**Product name:**  
US Focus Property Fund

**Legal entity identifier:**  
5493001SWQDPM7UXE392

## Environmental and/or social characteristics

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**.

That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

**Does this financial product have a sustainable investment objective?**

**Yes**

**No**

It will make a minimum of **sustainable investments with an environmental objective: \_\_\_%**

- in economic activities that qualify as environmentally sustainable under the EU Taxonomy
- in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

It will make a minimum of **sustainable investments with a social objective: \_\_\_%**

It **promotes Environmental/Social (E/S) characteristics** and while it does not have as its objective a sustainable investment, it will have a minimum proportion of \_\_\_% of sustainable investments

- with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy
- with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy
- with a social objective

It promotes E/S characteristics, but **will not make any sustainable investments**



## What environmental and/or social characteristics are promoted by this financial product?

The Fund promotes the social characteristic of avoiding investments in certain activities which can cause harm to human health and wellbeing or be damaging to social cohesion. The Fund also excludes certain companies which have experienced notable sustainability-related controversies, or which are in violation of international norms.

Further detail on the nature of these exclusions is set out below (in response to the question “*What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?*”).

The Fund has not designated a reference benchmark for the purposes of attaining its social characteristics.

**Sustainability indicators** measure how the environmental or social characteristics promoted by the financial product are attained.

- ***What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?***

The application of the exclusionary screens to the Fund’s investments is measured by the percentage of the Fund’s investments which breach the exclusionary screens. The relevant sustainability indicator is therefore that 0% of the Fund’s investments are in violation of the Fund’s exclusionary screens.

- ***What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?***

Not applicable

- ***How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?***

Not applicable

- *How have the indicators for adverse impacts on sustainability factors been taken into account?*

Not applicable

- *How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:*

Not applicable

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.



## Does this financial product consider principal adverse impacts on sustainability factors?

- Yes  
 No

As described under *What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?* below, the Fund does not knowingly invest companies that fail to comply with the UN Global Compact or the ILO fundamental principles, unless the Investment Adviser considers that the company is taking appropriate steps for material remediation and improvement. The Fund therefore considers in part, PAI indicator number 10: violations of the UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises.



## What investment strategy does this financial product follow?

**The investment strategy** guides investment decisions based on factors such as investment objectives and risk tolerance.

The US Focus Property Fund's investment objective is to seek long term capital appreciation by investing primarily in a focused, concentrated portfolio of equity securities, including depository receipts (including American Depositary Receipts (ADRs) and Global Depositary Receipts (GDRs)), of companies in the real estate industry Located in the United States that the Investment Adviser considers offer higher forecasted total return potential relative to other opportunities within the above mentioned asset classes.

The investment process is subject to regular review, as part of a control and monitoring framework implemented by the Investment Adviser and the Management Company. Morgan Stanley Investment Management's Compliance, Risk and Portfolio Surveillance teams collaborate with investment teams to conduct regular portfolio/performance reviews and systemic checks to ensure compliance with portfolio investment objectives, investment and client guidelines, taking into account changing market conditions, information and strategy developments.

The Investment Adviser actively manages the Fund using a high-conviction, disciplined, bottom-up, fundamentally driven investment methodology. The Fund will be comprised of those securities which the Investment Adviser considers offer higher forecasted total return potential based upon valuation relative to other opportunities in the investment universe. The Investment Adviser will assess real estate specific factors, broader equity factors, as well as ESG factors in their fundamental analysis in order to calculate appropriate valuation metrics. Top-down considerations are incorporated into the portfolio construction process and seek to achieve exposure across sectors and integrate forecasted fundamental inflections and macroeconomic considerations, among other factors. The Investment Adviser actively selects positions in a limited number of equity securities.

In addition to the ESG considerations described in this document on a binding basis, the Fund integrates ESG considerations in the investment decision-making process to support its environmental and social characteristics on a non-binding basis. The Investment Adviser assesses key ESG risks and opportunities in the bottom-up stock selection process primarily by leveraging third-party ESG providers to assess and quantify ESG performance for issuers, supplementing third-party research with proprietary research conducted by the Investment Advisor including utilizing a framework for assessing and quantifying risks and opportunities related to ESG which results in a quantitative adjustment to valuation estimates, and through engagements with company management to discuss ESG-related strengths, weaknesses, and opportunities in an effort to effect positive change within the industry. While ESG considerations are an integrated and fundamental part of the investment process, they are only one of several key determinants used by the Investment Adviser to determine if an investment will be made or size adjusted in the overall portfolio.

● ***What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?***

**Social and environmental exclusions:**

The Fund shall not knowingly invest in any company which derives more than 10% of company revenue from any one of the following activities:

- owning or operating real estate used for for-profit prisons;
- owning or operating real estate used to manufacture cannabis;
- manufacturing or production of tobacco;
- manufacturing or production of coal mining;
- manufacturing or production of controversial weapons and civilian firearms; and
- manufacturing or production of arctic oil and gas.

In addition, the Fund shall not knowingly invest in the following companies:

- companies that do not have at least one female board member.

**International norms exclusions:**

The Fund shall not knowingly invest in the following companies:

- companies that have experienced a notable sustainability-related controversy related to their operations and/or products, where the severity of the social or environmental impact of the controversy is above a certain threshold based on third party data, unless the Investment Adviser considers that the company is taking appropriate steps for material remediation and improvement; or
- companies that fail to comply with the UN Global Compact or the ILO fundamental principles, unless the Investment Adviser considers that the company is taking appropriate steps for material remediation and improvement.

The above exclusions are implemented in line with the Fund's Restriction Screening and ESG Policy which can be found on [www.morganstanleyinvestmentfunds.com](http://www.morganstanleyinvestmentfunds.com) and on [www.morganstanley.com/im](http://www.morganstanley.com/im).

The Investment Adviser may apply additional ESG-related investment restrictions over time that it believes are consistent with its investment objectives and with the environmental or social characteristics that the Fund promotes. Such additional investment 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).

**Good governance** practices include sound management structures, employee relations, remuneration of staff and tax compliance.

● ***What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?***

Not applicable. No minimum reduction rate has been defined in relation to the Fund's scope of investments.

However, the Investment Adviser anticipates that the application of

- the social exclusions described above will reduce the scope of the Fund's investments by up to 1%; and
- the international norms exclusions described above will reduce the scope of the Fund's investments by up to 1%.

The anticipated reduction figures above are by market capitalisation of the Fund's potential investment universe.

● **What is the policy to assess good governance practices of the investee companies?**

As part of its bottom-up research process, the Investment Adviser incorporates assessment of an issuer's corporate governance and business practices, including but not limited to evidence of sound management structures and employee relations, fair remuneration of staff, and tax compliance, in order to ensure that every investee company follows good governance practices.

This is done through the monitoring of data on governance-related, as well as on other environmental and/or social factors and controversies, sourced from third party providers, through in-house research, and through engagement with the management of selected issuers on corporate governance and disclosure issues.



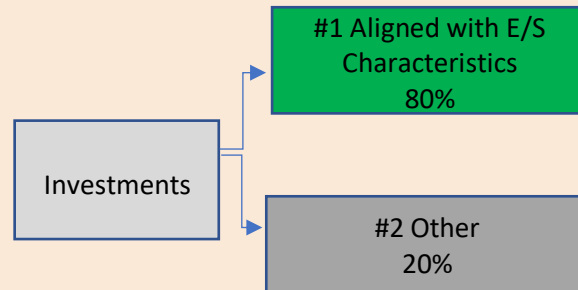
**Asset allocation**

describes the share of investments in specific assets.

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.

**What is the asset allocation planned for this financial product?**



**#1 Aligned with E/S characteristics** includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

**#2 Other** includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

At least 80% of the Fund's investments align with the environmental and social characteristics it promotes, through the application of the above-mentioned exclusions.

A maximum of 20% of the Fund may be invested in hedging and/or cash instruments, which do not align with any environmental or social characteristics.

These percentages are measured according to the value of the investments.

The Fund does not intend to make any sustainable investments within the meaning of the Sustainable Finance Disclosure Regulation ("SFDR").

● **How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?**

Not applicable – the Fund does not use derivatives to attain its environmental or social characteristics.



## To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

Not applicable.

### ● Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy<sup>1</sup>?

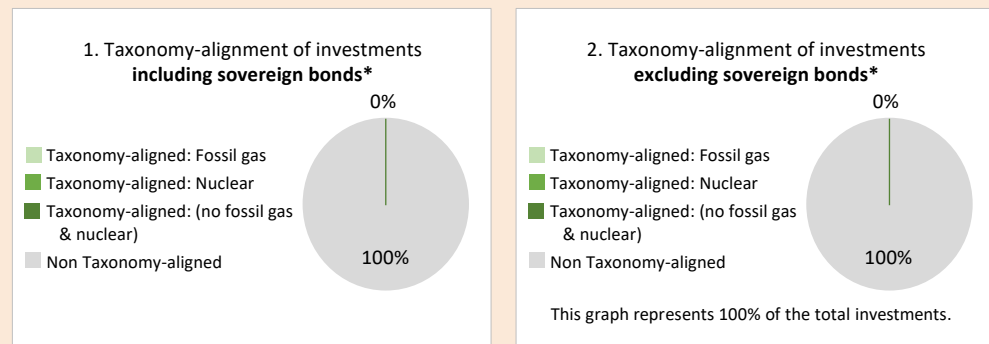
- Yes:  
 In fossil gas     In nuclear energy  
 No

To comply with EU Taxonomy, the criteria for **fossil gas** include limitations on emission and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

**Transitional activities** are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

*The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.*



*\* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures.*

### ● What is the minimum share of investments in transitional and enabling activities?

Not applicable

<sup>1</sup> Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objective – see explanatory note in the left-hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.



### What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?

Not applicable



are sustainable investments with an environmental objective that **do not take into account** the criteria for environmentally sustainable economic activities under the EU Taxonomy.



### What is the minimum share of socially sustainable investments?

Not applicable



### What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?

The Fund may make investments in hedging and/or cash instruments. These are included in the “#2 Other” category. These instruments are not subject to environmental and/or social screening or any minimum environmental or social safeguards.



### Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?

Not applicable

#### Reference benchmarks

are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.



### Where can I find more product specific information online?

More product-specific information can be found on the website:

[https://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite\\_msinvf\\_usfocus\\_property\\_en.pdf](https://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite_msinvf_usfocus_property_en.pdf)



**Pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852**

**Product name:**

US Growth Fund

**Legal entity identifier:**

3G53TROTP001D767EJ04

## Environmental and/or social characteristics

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**.

That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

Does this financial product have a sustainable investment objective?	
●● <input type="checkbox"/> Yes	●● <input checked="" type="checkbox"/> No
<input type="checkbox"/> It will make a minimum of <b>sustainable investments with an environmental objective: ___%</b> <ul style="list-style-type: none"> <li><input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> </ul>	<input type="checkbox"/> It <b>promotes Environmental/Social (E/S) characteristics</b> and while it does not have as its objective a sustainable investment, it will have a minimum proportion of ___% of sustainable investments <ul style="list-style-type: none"> <li><input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> with a social objective</li> </ul>
<input type="checkbox"/> It will make a minimum of <b>sustainable investments with a social objective: ___%</b>	<input checked="" type="checkbox"/> It promotes E/S characteristics, but <b>will not make any sustainable investments</b>



## What environmental and/or social characteristics are promoted by this financial product?

The Fund promotes the following environmental and social characteristics:

- the Fund promotes the environmental characteristic of limiting environmental externalities by excluding investments in thermal coal; and
- the Fund promotes the social characteristic of avoiding investments in certain activities which can cause harm to human health and wellbeing, including tobacco and certain weapons, comprising civilian firearms, cluster munitions and anti-personnel mines.

These exclusions are implemented in line with the Fund's Restriction Screening Policy, which can be found on [www.morganstanley.com/im](http://www.morganstanley.com/im) at [https://www.morganstanley.com/im/publication/msinvf/material/rsp\\_msinvf\\_counterpointglobal\\_en.pdf](https://www.morganstanley.com/im/publication/msinvf/material/rsp_msinvf_counterpointglobal_en.pdf)

Further detail on the nature of these exclusions is set out below (in response to the question "What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?").

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Fund.

**Sustainability indicators** measure how the environmental or social characteristics promoted by the financial product are attained.

- **What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?**

The sustainability indicator is the percentage of companies in the Fund which breach the exclusionary screens. The sustainability indicator will therefore be that 0% of the Fund's investments are in violation of the Fund's Restriction Screening Policy.

Compliance with the exclusions is monitored on an ongoing basis through an automated process, comprising pre- and post-trade guideline monitoring and exception-based screening.

- **What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?**

Not applicable

- **How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?**

Not applicable

- **How have the indicators for adverse impacts on sustainability factors been taken into account?**

Not applicable

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

- *How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:*

Not applicable

*The EU Taxonomy sets out a “do not significant harm” principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.*

*The “do no significant harm” principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.*

*Any other sustainable investments must also not significantly harm any environmental or social objectives.*

Regulation requires that this document include these statements. However, for the avoidance of doubt, this Fund does not: (i) take into account the EU criteria for environmentally sustainable economic activities in the EU Taxonomy; or (ii) calculate its portfolio alignment with the EU Taxonomy. As such, the Fund is 0% aligned with the EU Taxonomy. The “do no significant harm” principle applies only to the portion of the Fund’s investments that are sustainable investments.



### Does this financial product consider principal adverse impacts on sustainability factors?

- Yes  
 No

The Fund considers principal adverse impacts (“PAI”) on sustainability factors only in part, as follows:

The Fund excludes issuers which receive a certain percentage of their revenue from thermal coal mining and extraction. The Fund therefore partly considers the PAI indicator (4) exposure to companies active in the fossil fuel sector.

The Fund excludes issuers which are involved in manufacturing the core weapon system of cluster munitions and anti-personnel mines. The Fund therefore partly considers the PAI indicator (14) exposure to controversial weapons.

Where the Investment Adviser considers the following PAI indicators to be materially relevant to, or impacted by, the activities of the issuer, it will also consider the following PAIs on sustainability factors. This will be done by the Investment Advisor (a) integrating ESG analysis within the research process and/or (b) engaging with management of investee companies. The PAIs considered are the following:

PAI indicator (1): Greenhouse gas emissions (GHG).

PAI indicator (3): GHG intensity.

PAI indicator (5): Non-Renewable energy consumption and production; and

PAI indicator (6): Energy consumption intensity per high impact climate sector.

As a result, the Fund contributes to mitigating the Fund’s adverse impacts on these sustainability factors.



**The investment strategy** guides investment decisions based on factors such as investment objectives and risk tolerance.

## What investment strategy does this financial product follow?

The Fund seeks long-term capital appreciation by investing primarily in securities issued by US companies and on an ancillary basis in securities issued by companies that are not from the US. To achieve its objective, the investment team typically invests in unique companies it believes have sustainable competitive advantages with above average business visibility, the ability to deploy capital at high rates of return, strong balance sheets and an attractive risk/reward. The investment process integrates analysis of sustainability by using ESG factors as a lens for additional fundamental research, which can contribute to investment decision-making. The Investment Adviser seeks to understand how environmental and social initiatives within companies can create value by strengthening durable competitive advantages, creating growth opportunities, driving profitability, and/or aligning with secular growth trends. The Investment Adviser generally engages with company management teams to discuss their ESG practices, with the aim of identifying how sustainability themes present opportunities and risks that can be material to the value of the security over the long term.

### ● **What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?**

Binding restriction screens are applied to the Fund to restrict investments in corporate issuers whose industry classification or core business activity, determined in accordance with the methodology set out below, involves:

- Tobacco.
- Coal; or
- Weapons, comprising civilian firearms, cluster munitions and anti-personnel mines.

The methodology used to determine industry classification or core business activity for the purpose of the above-described screening is as follows:

- 1) Global Industry Classification Standard (GICS) Sub-Industry is Tobacco or Coal & Consumable Fuels;
- 2) Revenue (as defined by external third-party data):
  - more than 5% of its recent-year revenue (or estimated revenue) from Tobacco;
  - more than 10% of its recent-year revenue (or estimated revenue) from Thermal Coal;
  - more than 10% of its recent-year revenue (or estimated revenue) from the Manufacture of Civilian Firearms and ammunition; or
- 3) Involvement as identified by an external third-party data provider through corporate ownership, in manufacturing the core weapon system, or components/services of the core weapon system that are considered tailor-made and essential for the lethal use of the weapon, or cluster munitions and anti-personnel mines.

Investments that are held by the Fund but which breach one of the above exclusionary screens 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.

### ● **What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?**

Not applicable. No minimum reduction rate has been defined in relation to the Fund's scope of investments. However, the Investment Adviser anticipates that the application of the exclusions described above will reduce the scope of the Fund's investment universe by up to 2%.

**Good governance** practices include sound management structures, employee relations, remuneration of staff and tax compliance.

● **What is the policy to assess good governance practices of the investee companies?**

As part of the Fund's holistic approach to considering sustainability research and factors, the Investment Adviser of the Fund assesses governance practices of investee companies, including but not limited to looking at the management structures, employee relations, remuneration of staff, and tax compliance of such companies. In particular, the Investment Advisor uses a proprietary, systematic evaluation of governance policies, specifically focusing on compensation alignment on long-term value creation.



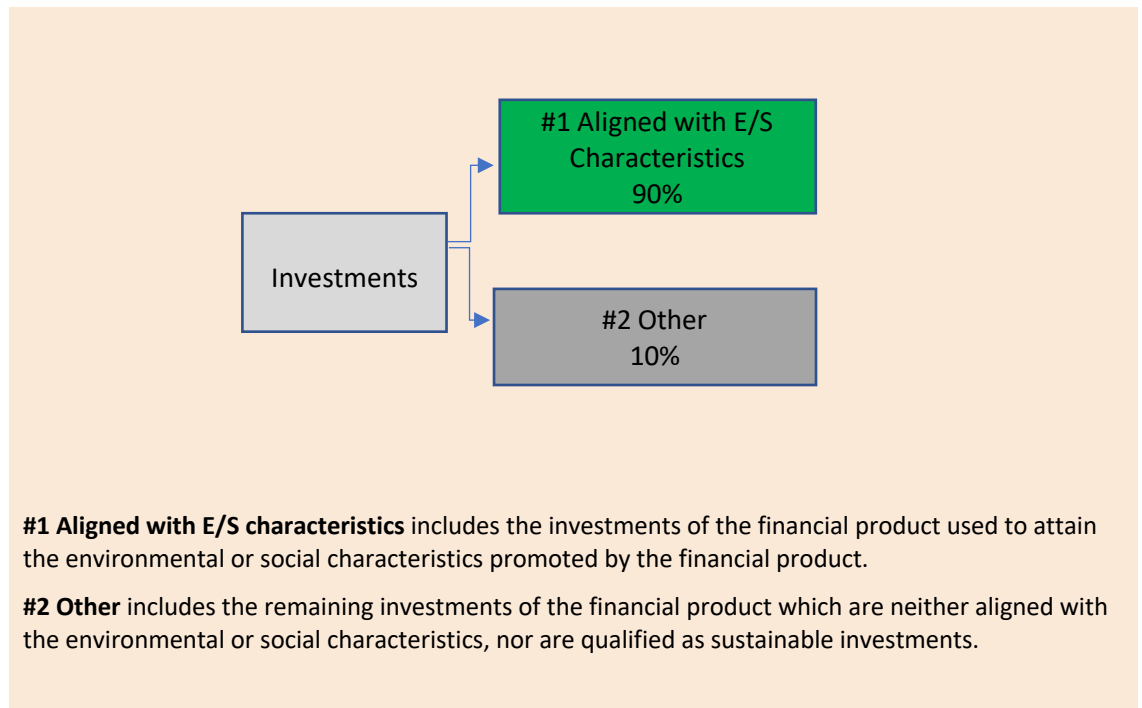
**Asset allocation**

describes the share of investments in specific assets.

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.

**What is the asset allocation planned for this financial product?**



**#1 Aligned with E/S characteristics** includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

**#2 Other** includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

Category #1 investments (i.e. those aligned with E/S characteristics) comprise all investments that are screened against the Fund's Restriction Screening Policy. Category #2 investments are those investments that are not screened against the Fund's Restriction Screening Policy.

The entirety of the Fund, apart from cash and derivatives held for efficient portfolio management purposes, are screened against the Fund's Restriction Screening Policy. This comprises 90% of the Fund. Accordingly, at least 90% of the Fund are Category #1 investments and the remaining 10% of the Fund (comprising cash and derivatives held for hedging purposes) are Category #2 investments.

These percentages are measured according to the value of the investments.

● **How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?**

Not applicable – the Fund does not use derivatives to attain its environmental or social characteristics.



**To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?**

Not applicable

● **Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy<sup>1</sup>?**

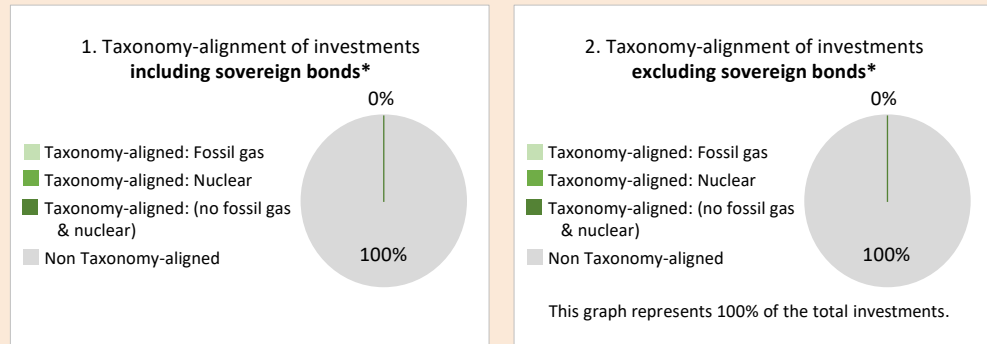
- Yes:
  - In fossil gas
  - In nuclear energy
- No

To comply with EU Taxonomy, the criteria for **fossil gas** include limitations on emission and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

**Transitional activities** are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

*The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.*



\* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures.

● **What is the minimum share of investments in transitional and enabling activities?**

Not applicable

<sup>1</sup> Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objective – see explanatory note in the left-hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.



are sustainable investments with an environmental objective that **do not take into account** the criteria for environmentally sustainable economic activities under the EU Taxonomy.

### What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?

Not applicable



### What is the minimum share of socially sustainable investments?

Not applicable



### What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?

10% of the Fund, comprising cash and derivatives held for efficient portfolio management purposes, are Category “#2 Other” investments. These instruments are not subject to environmental and/or social screening or any minimum environmental or social safeguards.



### Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?

Not applicable

**Reference benchmarks** are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.



### Where can I find more product specific information online?

More product-specific information can be found on the website:

[https://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite\\_msinvf\\_usgrow\\_h\\_en.pdf](https://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite_msinvf_usgrow_h_en.pdf)

**Pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852**

**Product name:**

US Insight Fund

**Legal entity identifier:**

549300ZCDS88ZDMP4R16

## Environmental and/or social characteristics

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**.

That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

**Does this financial product have a sustainable investment objective?**

<p><input checked="" type="radio"/> <input type="radio"/> <input type="checkbox"/> <b>Yes</b></p> <p><input type="checkbox"/> It will make a minimum of <b>sustainable investments with an environmental objective: ___%</b></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> </ul> <p><input type="checkbox"/> It will make a minimum of <b>sustainable investments with a social objective: ___%</b></p>	<p><input checked="" type="radio"/> <input type="radio"/> <input checked="" type="checkbox"/> <b>No</b></p> <p><input type="checkbox"/> It <b>promotes Environmental/Social (E/S) characteristics</b> and while it does not have as its objective a sustainable investment, it will have a minimum proportion of ___% of sustainable investments</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> with a social objective</li> </ul> <p><input checked="" type="checkbox"/> It promotes E/S characteristics, but <b>will not make any sustainable investments</b></p>
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## What environmental and/or social characteristics are promoted by this financial product?

The Fund promotes the following environmental and social characteristics:

- the Fund promotes the environmental characteristic of limiting environmental externalities by excluding investments in thermal coal; and
- the Fund promotes the social characteristic of avoiding investments in certain activities which can cause harm to human health and wellbeing, including tobacco and certain weapons, comprising civilian firearms, cluster munitions and anti-personnel mines.

These exclusions are implemented in line with the Fund's Restriction Screening Policy, which can be found on [www.morganstanley.com/im](http://www.morganstanley.com/im) at [https://www.morganstanley.com/im/publication/msinvf/material/rsp\\_msinvf\\_counterpointglobal\\_en.pdf](https://www.morganstanley.com/im/publication/msinvf/material/rsp_msinvf_counterpointglobal_en.pdf).

Further detail on the nature of these exclusions is set out below (in response to the question "What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?").

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Fund.

**Sustainability indicators** measure how the environmental or social characteristics promoted by the financial product are attained.

- **What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?**

The sustainability indicator is the percentage of companies in the Fund which breach the exclusionary screens. The sustainability indicator will therefore be that 0% of the Fund's investments are in violation of the Fund's Restriction Screening Policy.

Compliance with the exclusions is monitored on an ongoing basis through an automated process, comprising pre- and post-trade guideline monitoring and exception-based screening.

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

- **What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?**

Not applicable

- **How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?**

Not applicable

- *How have the indicators for adverse impacts on sustainability factors been taken into account?*

Not applicable

- *How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:*

Not applicable

*The EU Taxonomy sets out a “do not significant harm” principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.*

*The “do no significant harm” principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.*

*Any other sustainable investments must also not significantly harm any environmental or social objectives.*

Regulation requires that this document include these statements. However, for the avoidance of doubt, this Fund does not: (i) take into account the EU criteria for environmentally sustainable economic activities in the EU Taxonomy; or (ii) calculate its portfolio alignment with the EU Taxonomy. As such, the Fund is 0% aligned with the EU Taxonomy. The “do no significant harm” principle applies only to the portion of the Fund’s investments that are sustainable investments.



### Does this financial product consider principal adverse impacts on sustainability factors?

- Yes  
 No

The Fund considers principal adverse impacts (“PAI”) on sustainability factors only in part, as follows:

The Fund excludes issuers which receive a certain percentage of their revenue from thermal coal mining and extraction. The Fund therefore partly considers the PAI indicator (4) exposure to companies active in the fossil fuel sector.

The Fund excludes issuers which are involved in manufacturing the core weapon system of cluster munitions and anti-personnel mines. The Fund therefore partly considers the PAI indicator (14) exposure to controversial weapons.

Where the Investment Adviser considers the following PAI indicators to be materially relevant to, or impacted by, the activities of the issuer, it will also consider the following PAIs on sustainability factors. This will be done by the Investment Advisor (a) integrating ESG analysis within the research process and/or (b) engaging with management of investee companies. The PAIs considered are the following:

PAI indicator (1): Greenhouse gas emissions (GHG).

PAI indicator (3): GHG intensity.

PAI indicator (5): Non-Renewable energy consumption and production; and

PAI indicator (6): Energy consumption intensity per high impact climate sector.

As a result, the Fund contributes to mitigating the Fund’s adverse impacts on these sustainability factors.



**The investment strategy** guides investment decisions based on factors such as investment objectives and risk tolerance.

## What investment strategy does this financial product follow?

The Fund seeks long-term capital appreciation by investing primarily in securities issued by US companies and on an ancillary basis in securities issued by companies that are not from the US. To achieve its objective, the investment team typically invests in unique companies it believes have sustainable competitive advantages with above average business visibility, the ability to deploy capital at high rates of return, strong balance sheets and an attractive risk/reward. The investment process integrates analysis of sustainability by using ESG factors as a lens for additional fundamental research, which can contribute to investment decision-making. The Investment Adviser seeks to understand how environmental and social initiatives within companies can create value by strengthening durable competitive advantages, creating growth opportunities, driving profitability, and/or aligning with secular growth trends. The Investment Adviser generally engages with company management teams to discuss their ESG practices, with the aim of identifying how sustainability themes present opportunities and risks that can be material to the value of the security over the long term.

### ● **What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?**

Binding restriction screens are applied to the Fund to restrict investments in corporate issuers whose industry classification or core business activity, determined in accordance with the methodology set out below, involves:

- Tobacco.
- Coal; or
- Weapons, comprising civilian firearms, cluster munitions and anti-personnel mines.

The methodology used to determine industry classification or core business activity for the purpose of the above-described screening is as follows:

- 1) Global Industry Classification Standard (GICS) Sub-Industry is Tobacco or Coal & Consumable Fuels;
- 2) Revenue (as defined by external third-party data):
  - more than 5% of its recent-year revenue (or estimated revenue) from Tobacco;
  - more than 10% of its recent-year revenue (or estimated revenue) from Thermal Coal;
  - more than 10% of its recent-year revenue (or estimated revenue) from the Manufacture of Civilian Firearms and ammunition; or
- 3) Involvement as identified by an external third-party data provider through corporate ownership, in manufacturing the core weapon system, or components/services of the core weapon system that are considered tailor-made and essential for the lethal use of the weapon, or cluster munitions and anti-personnel mines.

Investments that are held by the Fund but which breach one of the above exclusionary screens 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.

### ● **What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?**

Not applicable. No minimum reduction rate has been defined in relation to the Fund's scope of investments. However, the Investment Adviser anticipates that the application of the exclusions described above will reduce the scope of the Fund's investment universe by up to 2%.

**Good governance** practices include sound management structures, employee relations, remuneration of staff and tax compliance.

● **What is the policy to assess good governance practices of the investee companies?**

As part of the Fund's holistic approach to considering sustainability research and factors, the Investment Adviser of the Fund assesses governance practices of investee companies, including but not limited to looking at the management structures, employee relations, remuneration of staff, and tax compliance of such companies. In particular, the Investment Advisor uses a proprietary, systematic evaluation of governance policies, specifically focusing on compensation alignment on long-term value creation.



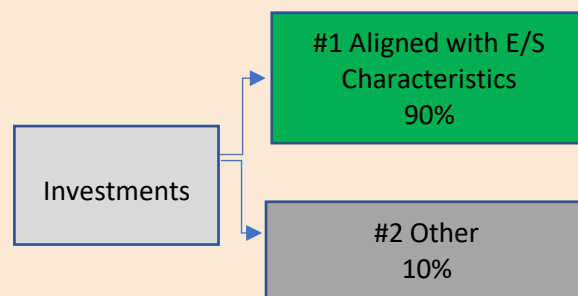
**Asset allocation**

describes the share of investments in specific assets.

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.

**What is the asset allocation planned for this financial product?**



**#1 Aligned with E/S characteristics** includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

**#2 Other** includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

Category #1 investments (i.e. those aligned with E/S characteristics) comprise all investments that are screened against the Fund's Restriction Screening Policy. Category #2 investments are those investments that are not screened against the Fund's Restriction Screening Policy.

The entirety of the Fund, apart from cash and derivatives held for efficient portfolio management purposes, are screened against the Fund's Restriction Screening Policy. This comprises 90% of the Fund. Accordingly, at least 90% of the Fund are Category #1 investments and the remaining 10% of the Fund (comprising cash and derivatives held for hedging purposes) are Category #2 investments.

These percentages are measured according to the value of the investments.

● **How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?**

Not applicable. The Fund does not use any derivatives to attain its environmental or social characteristics.



**To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?**

Not applicable

● **Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy<sup>1</sup>?**

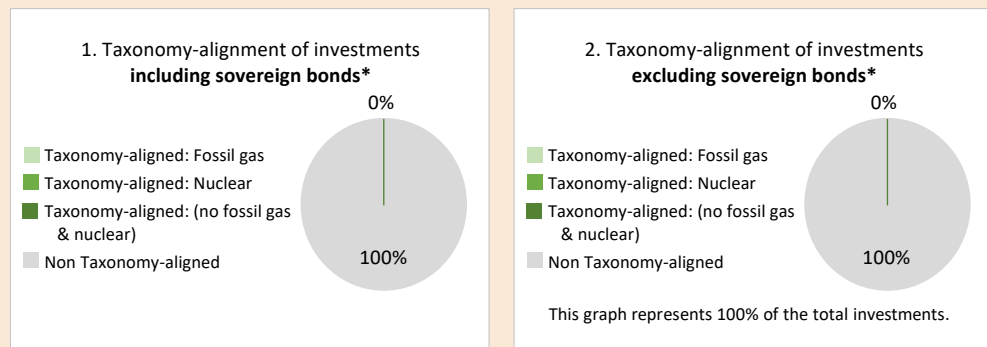
- Yes:
  - In fossil gas
  - In nuclear energy
- No

To comply with EU Taxonomy, the criteria for **fossil gas** include limitations on emission and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

**Transitional activities** are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

*The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.*



*\* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures.*

● **What is the minimum share of investments in transitional and enabling activities?**

Not applicable

<sup>1</sup> Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objective – see explanatory note in the left-hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.



are sustainable investments with an environmental objective that **do not take into account** the criteria for environmentally sustainable economic activities under the EU Taxonomy.

### What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?

Not applicable



### What is the minimum share of socially sustainable investments?

Not applicable



### What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?

10% of the Fund, comprising cash and derivatives held for efficient portfolio management purposes, are Category “#2 Other” investments. These instruments are not subject to environmental and/or social screening or any minimum environmental or social safeguards.



### Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?

Not applicable

**Reference benchmarks** are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.



### Where can I find more product specific information online?

More product-specific information can be found on the website:

[https://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite\\_msinvf\\_usinsight\\_en.pdf](https://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite_msinvf_usinsight_en.pdf)

**Pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852**

**Product name:**  
US Permanence Fund

**Legal entity identifier:**  
549300CFSTRXR2DCA135

## Environmental and/or social characteristics

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**.

That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

Does this financial product have a sustainable investment objective?	
<p><input checked="" type="radio"/> <input type="radio"/> <b>Yes</b></p>	<p><input type="radio"/> <input checked="" type="radio"/> <b>No</b></p>
<p><input type="checkbox"/> It will make a minimum of <b>sustainable investments with an environmental objective: ___%</b></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> </ul> <p><input type="checkbox"/> It will make a minimum of <b>sustainable investments with a social objective: ___%</b></p>	<p><input type="checkbox"/> It <b>promotes Environmental/Social (E/S) characteristics</b> and while it does not have as its objective a sustainable investment, it will have a minimum proportion of ___% of sustainable investments</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> with a social objective</li> </ul> <p><input checked="" type="checkbox"/> It promotes E/S characteristics, but <b>will not make any sustainable investments</b></p>



## What environmental and/or social characteristics are promoted by this financial product?

The Fund promotes the following environmental and social characteristics:

- the Fund promotes the environmental characteristic of limiting environmental externalities by excluding investments in thermal coal; and
- the Fund promotes the social characteristic of avoiding investments in certain activities which can cause harm to human health and wellbeing, including tobacco and certain weapons, comprising civilian firearms, cluster munitions and anti-personnel mines.

These exclusions are implemented in line with the Fund's Restriction Screening Policy, which can be found on [www.morganstanley.com/im](http://www.morganstanley.com/im) at [https://www.morganstanley.com/im/publication/msinvf/material/rsp\\_msinvf\\_counterpointglobal\\_en.pdf](https://www.morganstanley.com/im/publication/msinvf/material/rsp_msinvf_counterpointglobal_en.pdf)

Further detail on the nature of these exclusions is set out below (in response to the question "What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?").

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Fund.

**Sustainability indicators** measure how the environmental or social characteristics promoted by the financial product are attained.

- ***What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?***

The sustainability indicator is the percentage of companies in the Fund which breach the exclusionary screens. The sustainability indicator will therefore be that 0% of the Fund's investments are in violation of the Fund's Restriction Screening Policy.

Compliance with the exclusions is monitored on an ongoing basis through an automated process, comprising pre- and post-trade guideline monitoring and exception-based screening.

- ***What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?***

Not applicable

- ***How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?***

Not applicable

- *How have the indicators for adverse impacts on sustainability factors been taken into account?*

Not applicable

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.



- *How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:*

Not applicable

*The EU Taxonomy sets out a “do not significant harm” principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.*

*The “do no significant harm” principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.*

*Any other sustainable investments must also not significantly harm any environmental or social objectives.*

Regulation requires that this document include these statements. However, for the avoidance of doubt, this Fund does not: (i) take into account the EU criteria for environmentally sustainable economic activities in the EU Taxonomy; or (ii) calculate its portfolio alignment with the EU Taxonomy. As such, the Fund is 0% aligned with the EU Taxonomy. The “do no significant harm” principle applies only to the portion of the Fund’s investments that are sustainable investments.



### **Does this financial product consider principal adverse impacts on sustainability factors?**

Yes

No

The Fund considers principal adverse impacts (“PAI”) on sustainability factors only in part, as follows:

The Fund excludes issuers which receive a certain percentage of their revenue from thermal coal mining and extraction. The Fund therefore partly considers the PAI indicator (4) exposure to companies active in the fossil fuel sector.

The Fund excludes issuers which are involved in manufacturing the core weapon system of cluster munitions and anti-personnel mines. The Fund therefore partly considers the PAI indicator (14) exposure to controversial weapons.

Where the Investment Adviser considers the following PAI indicators to be materially relevant to, or impacted by, the activities of the issuer, it will also consider the following PAIs on sustainability factors. This will be done by the Investment Advisor (a) integrating ESG analysis within the research process and/or (b) engaging with management of investee companies. The PAIs considered are the following:

PAI indicator (1): Greenhouse gas emissions (GHG).

PAI indicator (3): GHG intensity.

PAI indicator (5): Non-Renewable energy consumption and production; and

PAI indicator (6): Energy consumption intensity per high impact climate sector.

As a result, the Fund contributes to mitigating the Fund’s adverse impacts on these sustainability factors.



**The investment strategy** guides investment decisions based on factors such as investment objectives and risk tolerance.

## What investment strategy does this financial product follow?

The Fund seeks long-term capital appreciation by investing primarily in established companies located in the US, with capitalizations within the range of companies included in the S&P 500 Index. To achieve its objective, the investment team typically invests in companies it believes have strong name recognition, sustainable competitive advantages with above average business visibility, the ability to deploy capital at high rates of return, strong balance sheets and an attractive risk/reward. The investment process integrates analysis of sustainability by using ESG factors as a lens for additional fundamental research, which can contribute to investment decision-making. The Investment Adviser seeks to understand how environmental and social initiatives within companies can create value by strengthening durable competitive advantages, creating growth opportunities, driving profitability, and/or aligning with secular growth trends. The Investment Adviser generally engages with company management teams to discuss their ESG practices, with the aim of identifying how sustainability themes present opportunities and risks that can be material to the value of the security over the long term.

### ● **What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?**

Binding restriction screens are applied to the Fund to restrict investments in corporate issuers whose industry classification or core business activity, determined in accordance with the methodology set out below, involves:

- Tobacco.
- Coal; or
- Weapons, comprising civilian firearms, cluster munitions and anti-personnel mines.

The methodology used to determine industry classification or core business activity for the purpose of the above-described screening is as follows:

- 1) Global Industry Classification Standard (GICS) Sub-Industry is Tobacco or Coal & Consumable Fuels;
- 2) Revenue (as defined by external third-party data):
  - more than 5% of its recent-year revenue (or estimated revenue) from Tobacco;
  - more than 10% of its recent-year revenue (or estimated revenue) from Thermal Coal;
  - more than 10% of its recent-year revenue (or estimated revenue) from the Manufacture of Civilian Firearms and ammunition; or
- 3) Involvement as identified by an external third-party data provider through corporate ownership, in manufacturing the core weapon system, or components/services of the core weapon system that are considered tailor-made and essential for the lethal use of the weapon, or cluster munitions and anti-personnel mines.

Investments that are held by the Fund but which breach one of the above exclusionary screens 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.

### ● **What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?**

Not applicable. No minimum reduction rate has been defined in relation to the Fund's scope of investments. However, the Investment Adviser anticipates that the application of the exclusions described above will reduce the scope of the Fund's investment universe by up to 2%.

**Good governance** practices include sound management structures, employee relations, remuneration of staff and tax compliance.

● **What is the policy to assess good governance practices of the investee companies?**

As part of the Fund's holistic approach to considering sustainability research and factors, the Investment Adviser of the Fund assesses governance practices of investee companies, including but not limited to looking at the management structures, employee relations, remuneration of staff, and tax compliance of such companies. In particular, the Investment Adviser uses a proprietary, systematic evaluation of governance policies, specifically focusing on compensation alignment on long-term value creation.



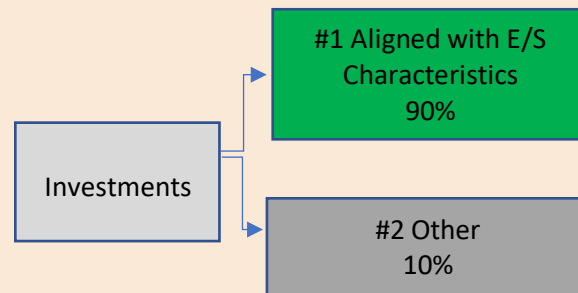
**Asset allocation**

describes the share of investments in specific assets.

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.

**What is the asset allocation planned for this financial product?**



**#1 Aligned with E/S characteristics** includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

**#2 Other** includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

Category #1 investments (i.e. those aligned with E/S characteristics) comprise all investments that are screened against the Fund's Restriction Screening Policy. Category #2 investments are those investments that are not screened against the Fund's Restriction Screening Policy.

The entirety of the Fund, apart from cash and derivatives held for efficient portfolio management purposes, are screened against the Fund's Restriction Screening Policy. This comprises 90% of the Fund. Accordingly, at least 90% of the Fund are Category #1 investments and the remaining 10% of the Fund (comprising cash and derivatives held for hedging purposes) are Category #2 investments.

These percentages are measured according to the value of the investments.

● **How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?**

Not applicable. The Fund does not use any derivatives to attain its environmental or social characteristics.



**To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?**

Not applicable

● **Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy<sup>1</sup>?**

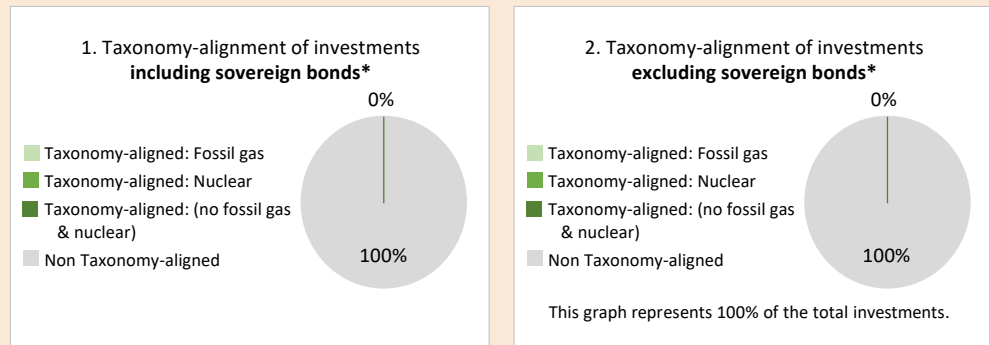
- Yes:
  - In fossil gas
  - In nuclear energy
- No

To comply with EU Taxonomy, the criteria for **fossil gas** include limitations on emission and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

**Transitional activities** are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

*The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.*



*\* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures.*

● **What is the minimum share of investments in transitional and enabling activities?**

Not applicable

<sup>1</sup> Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objective – see explanatory note in the left-hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.



### What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?

Not applicable



are sustainable investments with an environmental objective that **do not take into account** the criteria for environmentally sustainable economic activities under the EU Taxonomy.



### What is the minimum share of socially sustainable investments?

Not applicable



### What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?

10% of the Fund, comprising cash and derivatives held for efficient portfolio management purposes, are Category “#2 Other” investments. These instruments are not subject to environmental and/or social screening or any minimum environmental or social safeguards.



### Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?

Not applicable

**Reference benchmarks** are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.



### Where can I find more product specific information online?

More product-specific information can be found on the website:

[https://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite\\_msinvf\\_uspermanence\\_en.pdf](https://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite_msinvf_uspermanence_en.pdf)

**Pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852**

**Product name:**  
US Property Fund

**Legal entity identifier:**  
HVED7LVWFTE5K53NJP05

## Environmental and/or social characteristics

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**.

That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

**Does this financial product have a sustainable investment objective?**

<p><input checked="" type="radio"/> <input type="radio"/> <input type="checkbox"/> <b>Yes</b></p> <p><input type="checkbox"/> It will make a minimum of <b>sustainable investments with an environmental objective: ___%</b></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> </ul> <p><input type="checkbox"/> It will make a minimum of <b>sustainable investments with a social objective: ___%</b></p>	<p><input checked="" type="radio"/> <input type="radio"/> <input checked="" type="checkbox"/> <b>No</b></p> <p><input type="checkbox"/> It <b>promotes Environmental/Social (E/S) characteristics</b> and while it does not have as its objective a sustainable investment, it will have a minimum proportion of ___% of sustainable investments</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> with a social objective</li> </ul> <p><input checked="" type="checkbox"/> It promotes E/S characteristics, but <b>will not make any sustainable investments</b></p>
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## What environmental and/or social characteristics are promoted by this financial product?

The Fund promotes the social characteristic of avoiding investments in certain activities which can cause harm to human health and wellbeing or be damaging to social cohesion. The Fund also excludes certain companies which have experienced notable sustainability-related controversies, or which are in violation of international norms.

Further detail on the nature of these exclusions is set out below (in response to the question “*What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?*”).

The Fund has not designated a reference benchmark for the purposes of attaining its social characteristics.

**Sustainability indicators** measure how the environmental or social characteristics promoted by the financial product are attained.

- ***What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?***

The application of the exclusionary screens to the Fund’s investments is measured by the percentage of the Fund’s investments which breach the exclusionary screens. The relevant sustainability indicator is therefore that 0% of the Fund’s investments are in violation of the Fund’s exclusionary screens.

- ***What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?***

Not applicable

- ***How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?***

Not applicable

- *How have the indicators for adverse impacts on sustainability factors been taken into account?*

Not applicable

- *How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:*

Not applicable

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.



## Does this financial product consider principal adverse impacts on sustainability factors?

- Yes  
 No

As described under *What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?* below, the Fund does not knowingly invest companies that fail to comply with the UN Global Compact or the ILO fundamental principles, unless the Investment Adviser considers that the company is taking appropriate steps for material remediation and improvement. The Fund therefore considers in part, PAI indicator number 10: violations of the UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises.



**The investment strategy** guides investment decisions based on factors such as investment objectives and risk tolerance.

## What investment strategy does this financial product follow?

The US Property Fund's investment objective is to seek long term capital appreciation by investing primarily in equity securities of companies in the real estate industry, or closely related to the real estate industry Located in the US. The investment process utilizes internal proprietary research to invest in public real estate companies that may offer the best relative value relative to their underlying assets and earnings.

The investment process is subject to regular review, as part of a control and monitoring framework implemented by the Investment Adviser and the Management Company. Morgan Stanley Investment Management's Compliance, Risk and Portfolio Surveillance teams collaborate with investment teams to conduct regular portfolio/performance reviews and systemic checks to ensure compliance with portfolio investment objectives, investment and client guidelines, taking into account changing market conditions, information and strategy developments.

The Investment Adviser utilizes a bottom-up approach, valuing each security within the investment universe to arrive at an estimate of net asset value and forward cash flows. Real estate specific factors, broader equity factors, and environmental, social and governance (ESG) factors (as described further below) are assessed in the fundamental analysis to calculate appropriate valuation metrics. The Investment Adviser also incorporates a top-down approach in the portfolio construction process by integrating several factors which may include forecasted fundamental inflections, and macroeconomic considerations among other factors risk assessments, to achieve diversified exposure across sectors.

In addition to the ESG considerations described in this document on a binding basis, the Fund integrates ESG considerations in the investment decision-making process to support its environmental and social characteristics on a non-binding basis. The Investment Adviser assesses key ESG risks and opportunities in the bottom-up stock selection process primarily by leveraging third-party ESG providers to assess and quantify ESG performance for issuers, supplementing third-party research with proprietary research conducted by the Investment Advisor including utilizing a framework for assessing and quantifying risks and opportunities related to ESG which results in a quantitative adjustment to valuation estimates, and through engagements with company management to discuss ESG-related strengths, weaknesses, and opportunities in an effort to effect positive change within the industry. While ESG considerations are an integrated and fundamental part of the investment process, they are only one of several key determinants used by the Investment Adviser to determine if an investment will be made or size adjusted in the overall portfolio.



● ***What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?***

**Social and environmental exclusions:**

The Fund shall not knowingly invest in any company which derives more than 10% of company revenue from any one of the following activities:

- owning or operating real estate used for for-profit prisons;
- owning or operating real estate used to manufacture cannabis;
- manufacturing or production of tobacco;
- manufacturing or production of coal mining;
- manufacturing or production of controversial weapons and civilian firearms; and
- manufacturing or production of arctic oil and gas.

In addition, the Fund shall not knowingly invest in the following companies:

- companies that do not have at least one female board member.

**International norms exclusions:**

The Fund shall not knowingly invest in the following companies:

- companies that have experienced a notable sustainability-related controversy related to their operations and/or products, where the severity of the social or environmental impact of the controversy is above a certain threshold based on third party data, unless the Investment Adviser considers that the company is taking appropriate steps for material remediation and improvement; or
- companies that fail to comply with the UN Global Compact or the ILO fundamental principles, unless the Investment Adviser considers that the company is taking appropriate steps for material remediation and improvement.

The above exclusions are implemented in line with the Fund's Restriction Screening and ESG Policy which can be found on [www.morganstanleyinvestmentfunds.com](http://www.morganstanleyinvestmentfunds.com) and on [www.morganstanley.com/im](http://www.morganstanley.com/im).

The Investment Adviser may apply additional ESG-related investment restrictions over time that it believes are consistent with its investment objectives and with the environmental or social characteristics that the Fund promotes. Such additional investment 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).

**Good governance** practices include sound management structures, employee relations, remuneration of staff and tax compliance.

● ***What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?***

Not applicable. No minimum reduction rate has been defined in relation to the Fund's scope of investments.

However, the Investment Adviser anticipates that the application of

- the social exclusions described above will reduce the scope of the Fund's investments by up to 1%; and
- the international norms exclusions described above will reduce the scope of the Fund's investments by up to 1%.

The anticipated reduction figures above are by market capitalisation of the Fund's potential investment universe.

● **What is the policy to assess good governance practices of the investee companies?**

As part of its bottom-up research process, the Investment Adviser incorporates assessment of an issuer's corporate governance and business practices, including but not limited to evidence of sound management structures and employee relations, fair remuneration of staff, and tax compliance, in order to ensure that every investee company follows good governance practices.

This is done through the monitoring of data on governance-related, as well as on other environmental and/or social factors and controversies, sourced from third party providers, through in-house research, and through engagement with the management of selected issuers on corporate governance and disclosure issues.



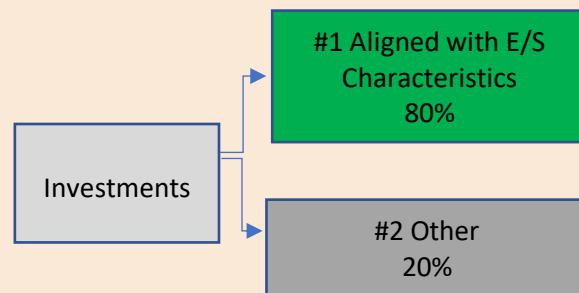
**Asset allocation**

describes the share of investments in specific assets.

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.

**What is the asset allocation planned for this financial product?**



**#1 Aligned with E/S characteristics** includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

**#2 Other** includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

At least 80% of the Fund's investments align with the environmental and social characteristics it promotes, through the application of the above-mentioned exclusions.

A maximum of 20% of the Fund may be invested in hedging and/or cash instruments, which do not align with any environmental or social characteristics.

These percentages are measured according to the value of the investments.

The Fund does not intend to make any sustainable investments within the meaning of the Sustainable Finance Disclosure Regulation ("SFDR").

● **How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?**

The Fund does not use derivatives to attain the environmental or social characteristics which it promotes.



**To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?**

Not applicable

● **Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy<sup>1</sup>?**

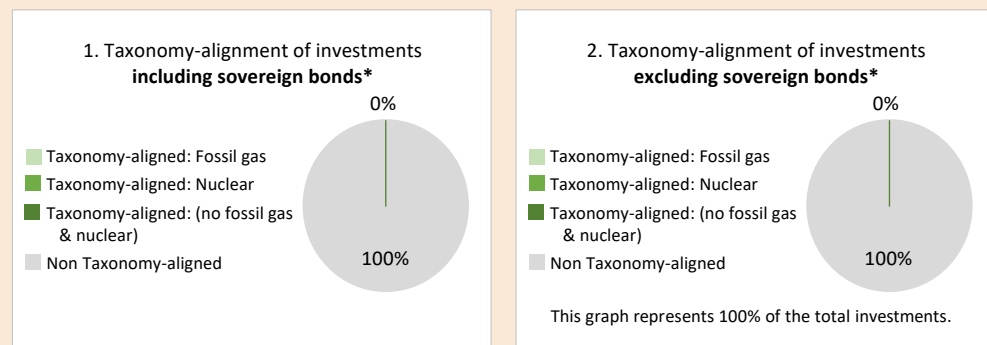
- Yes:  
 In fossil gas     In nuclear energy  
 No

To comply with EU Taxonomy, the criteria for **fossil gas** include limitations on emission and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

**Transitional activities** are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

*The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.*



\* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures.

● **What is the minimum share of investments in transitional and enabling activities?**

Not applicable

<sup>1</sup> Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objective – see explanatory note in the left-hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.



**What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?**

Not applicable



are sustainable investments with an environmental objective that **do not take into account** the criteria for environmentally sustainable economic activities under the EU Taxonomy.



**What is the minimum share of socially sustainable investments?**

Not applicable



**What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?**

The Fund may make investments in hedging and/or cash instruments. These are included in the “#2 Other” category. These instruments are not subject to environmental and/or social screening or any minimum environmental or social safeguards.



**Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?**

Not applicable

**Reference benchmarks** are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.



## Where can I find more product specific information online?

More product-specific information can be found on the website:

[https://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite\\_msinvf\\_usproperty\\_en.pdf](https://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite_msinvf_usproperty_en.pdf)

**Template pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852**

**Product name:**  
US Value Fund

**Legal entity identifier:**  
LU2535287457 (I Share Class)

## Environmental and/or social characteristics

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not include a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the

**Does this financial product have a sustainable investment objective?**

**Yes**
  **No**

<p><input type="checkbox"/> It will make a minimum of <b>sustainable investments with an environmental objective:</b> ___%</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> </ul> <p><input type="checkbox"/> It will make a minimum of <b>sustainable investments with a social objective:</b> ___%</p>	<p><input type="checkbox"/> It <b>promotes Environmental/Social (E/S) characteristics</b> and while it does not have as its objective a sustainable investment, it will have a minimum proportion of ___% of sustainable investments</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> with a social objective</li> </ul> <p><input checked="" type="checkbox"/> It promotes E/S characteristics, but <b>will not make any sustainable investments</b></p>
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**What environmental and/or social characteristics are promoted by this financial product?**

The Fund promotes the following environmental and social characteristics:

**Sustainability indicators** measure how the environmental or social characteristics promoted by the financial product are attained.

- The Fund promotes the environmental characteristic of limiting environmental externalities by excluding investments in coal mining, arctic drilling, and nuclear power.
- The Fund promotes the social characteristic of limiting exposure to investments in certain activities which can cause harm to human health and wellbeing, including tobacco, gambling, civilian firearms, controversial weapons, and white phosphorous. Finally, Companies that fail to comply with the UN Global Compact or have experienced severe controversies without material remediation and improvement will also be excluded .

The Fund has not designated a reference benchmark for the purpose of attaining its environmental or social characteristics.

● ***What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?***

The sustainability indicator is the percentage of companies in the Fund which breach the exclusionary screens. The sustainability indicator will therefore be that 0% of the Fund's investments are in violation of the exclusions listed in reponse to the question, "What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?" below.

● ***What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?***

Not applicable

● ***How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?***

Not applicable

*The EU Taxonomy sets out a "do not significant harm" principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.*

The "do no significant harm" principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

*Any other sustainable investments must also not significantly harm any environmental or social objectives.*

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-



**Does this financial product consider principal adverse impacts on sustainability factors?**

Yes

No

The Fund considers the following PAIs through application of the exclusionary criteria:

- The Fund excludes companies which derive any revenue from thermal coal mining and arctic drilling. Through these exclusions, the Fund therefore considers in part PAI indicator 4: exposure to companies active in the fossil fuel sector
- The Fund excludes companies which fail to comply with the UN Global Compact or have experienced severe controversies, without material remediation and improvement. When a company screens that they have failed to comply, portfolio managers will do further due diligence to determine if a path to remediation is in place, or if the company has no plan in place. If no plan is in place, the company will be excluded. The Fund therefore considers PAI indicator 10: violations of UN Global Compact principles and OECD Guidelines for Multinational Enterprises
- The Fund excludes companies which derive any revenue from controversial weapons. The Fund therefore considers PAI indicator 14: exposure to controversial weapons

The Fund will make information available on how it has incorporated the PAIs into the Fund in its periodic reports to investors.



## What investment strategy does this financial product follow?

**The investment strategy** guides investment decisions based on factors such as investment objectives and risk tolerance.

The US Value Fund's investment objective is to seek long-term capital growth, by investing in a broadly diversified selection of transferable equity securities, emphasizing common stocks of leading companies the Investment Adviser believes have been systematically mispriced by the market. Value stocks are common stocks that the Investment Adviser believes are inexpensive relative its estimates of the intrinsic value of the business.

The Investment Adviser believes that corporate governance practices of issuers have a direct impact on business performance and results produced by those issuers and incorporating companies' ESG behaviours into investment decisions provides a more comprehensive, holistic approach to investing that the Investment Adviser believes can enhance both stock selection and risk-adjusted returns over the long term. While ESG considerations are an integrated and fundamental part of the investment process, they are only one of several key determinants used by the Investment Adviser to determine if an investment will be made or size adjusted in the overall portfolio.

### ● ***What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?***

Binding restriction screens are applied to the Fund to restrict investments in companies that meet the below criteria:

Revenue or involvement, as applicable, identified by a third party data provider in the below:

- Revenue from Tobacco > 5%
- Revenue from Gambling > 5%
- Revenue from Civilian Firearms > 0%
- Controversial Weapons Tie: None
- Revenue from Coal Mining > 0%
- Revenue from Arctic Drilling > 0%
- Revenue from Nuclear Power > 25%
- White Phosphorus > 0%

Additionally, investments shall not knowingly include the following companies:

Companies that fail to comply with the UN Global Compact or have experienced severe controversies without material remediation and improvement. When a company screens that they have failed to comply with the UN Global Compact or has a severe controversy, portfolio managers will do further due diligence to determine



if a path to remediation is in place, or if the company has no plan in place. If no plan is in place, the company will be excluded.

● **What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?**

Not applicable. No minimum reduction rate has been defined in relation to the Fund’s scope of investments. However, the Investment Adviser anticipates that the application of the exclusions described above will reduce the scope of the Fund’s investment universe by up to 5-10%.

● **What is the policy to assess good governance practices of the investee companies?**

As part of the Fund’s holistic approach to considering sustainability research and factors, the Investment Adviser of the Fund assesses governance practices of investee companies, including but not limited to looking at the management structures, employee relations, remuneration of staff, and tax compliance. In particular, the Investment Adviser uses third party data to evaluate governance policies, as well as proactive engagement with company management of selected issuers on corporate governance issues. The Investment Adviser is specifically focusing on long-term value creation.



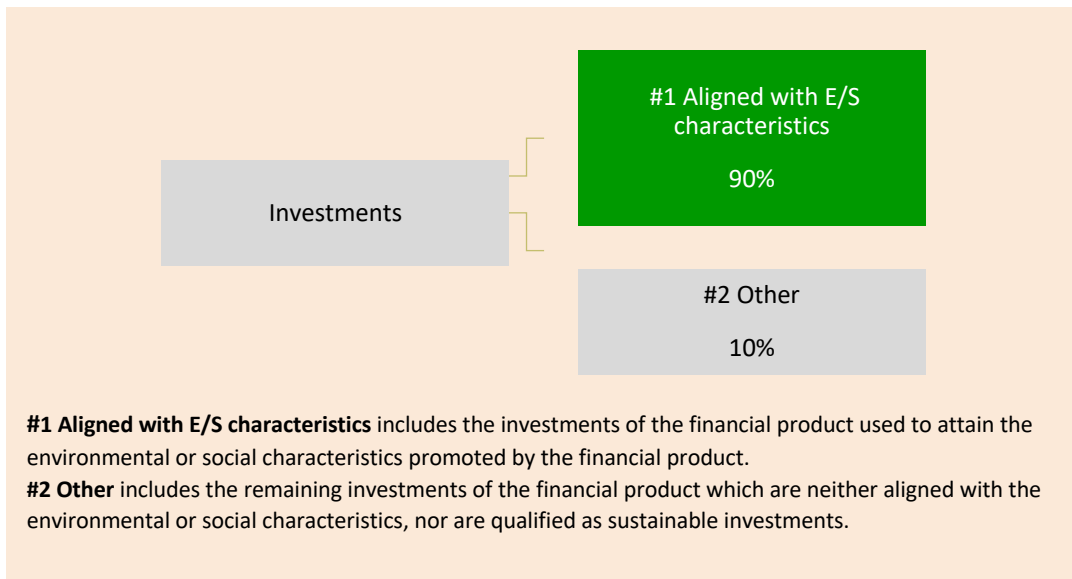
**What is the asset allocation planned for this financial product?**

**Asset allocation**

describes the share of investments in specific assets.

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.



The entirety of the Fund, apart from cash and derivatives held for efficient portfolio management purposes, are screened against the listed exclusions. This comprises the entirety of investments which offer direct exposure to investee entities. Accordingly, at least 90% of the Fund are Category #1 investments and the remaining portion of the Fund (maximum 10% of the Fund comprising cash and derivatives for efficient portfolio management purposes and currency management) are Category #2 investments.

These percentages are measured according to the value of the Investments.

● **How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?**

are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities under the EU Taxonomy.

To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

**Transitional activities** are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best

Not applicable. The Fund does not use any derivatives to attain its environmental or social characteristics.



**To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?**

The Fund does not commit to making a minimum portion of sustainable investments with an environmental objective aligned with the EU Taxonomy.

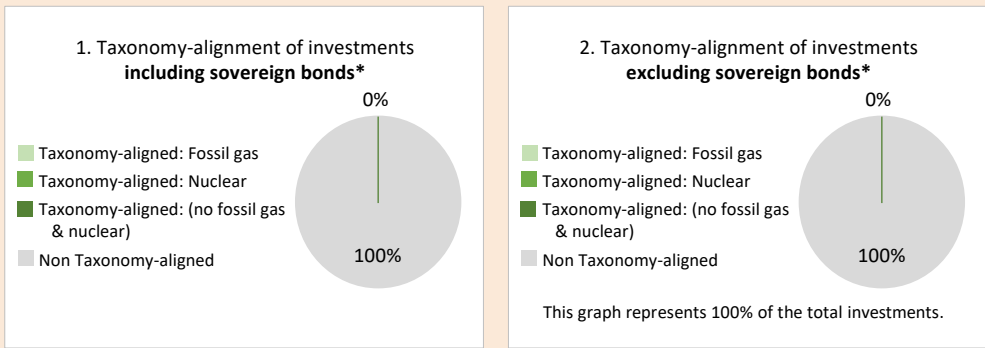
**Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy<sup>1</sup>?**

Yes:

In fossil gas     In nuclear energy

No

*The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.*



\* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures.

**What is the minimum share of investments in transitional and enabling activities?**

The Fund does not commit to making a minimum portion of sustainable investments with an environmental objective aligned with the EU Taxonomy.



**What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?**

<sup>1</sup> Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objective - see explanatory note in the left hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

The Fund does not commit to making a minimum portion of sustainable investments with an environmental objective aligned with the EU Taxonomy.



### **What is the minimum share of socially sustainable investments?**

Not applicable



### **What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?**

Cash and derivatives are used for efficient portfolio management and currency management. These instruments are not subject to environmental and/or social screening or any minimum environmental or social safeguards.



### **Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?**

Not applicable

**Reference benchmarks** are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.



### **Where can I find more product specific information online?**

More product-specific information can be found on the website:

[www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite\\_msinvf\\_usvalue\\_en.pdf](http://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite_msinvf_usvalue_en.pdf)

**Pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852**

**Product name:**

Vitality Fund

**Legal entity identifier:**

5493007UKKJN3WEI4Y14

## Environmental and/or social characteristics

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**.

That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

**Does this financial product have a sustainable investment objective?**

<p><input checked="" type="radio"/> <input type="radio"/> <input type="checkbox"/> <b>Yes</b></p> <p><input type="checkbox"/> It will make a minimum of <b>sustainable investments with an environmental objective: ___%</b></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> </ul> <p><input type="checkbox"/> It will make a minimum of <b>sustainable investments with a social objective: ___%</b></p>	<p><input checked="" type="radio"/> <input type="radio"/> <input checked="" type="checkbox"/> <b>No</b></p> <p><input type="checkbox"/> It <b>promotes Environmental/Social (E/S) characteristics</b> and while it does not have as its objective a sustainable investment, it will have a minimum proportion of ___% of sustainable investments</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> with a social objective</li> </ul> <p><input checked="" type="checkbox"/> It promotes E/S characteristics, but <b>will not make any sustainable investments</b></p>
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## What environmental and/or social characteristics are promoted by this financial product?

The Fund promotes the following environmental and social characteristics:

- the Fund promotes the environmental characteristic of limiting environmental externalities by excluding investments in thermal coal; and
- the Fund promotes the social characteristic of avoiding investments in certain activities which can cause harm to human health and wellbeing, including tobacco and certain weapons, comprising civilian firearms, cluster munitions and anti-personnel mines.

These exclusions are implemented in line with the Fund's Restriction Screening Policy, which can be found on [www.morganstanley.com/im](http://www.morganstanley.com/im) at [https://www.morganstanley.com/im/publication/msinvf/material/rsp\\_msinvf\\_counterpointglobal\\_en.pdf](https://www.morganstanley.com/im/publication/msinvf/material/rsp_msinvf_counterpointglobal_en.pdf)

Further detail on the nature of these exclusions is set out below (in response to the question "What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?").

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Fund.

**Sustainability indicators** measure how the environmental or social characteristics promoted by the financial product are attained.

● ***What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?***

The sustainability indicator is the percentage of companies in the Fund which breach the exclusionary screens. The sustainability indicator will therefore be that 0% of the Fund's investments are in violation of the Fund's Restriction Screening Policy.

Compliance with the exclusions is monitored on an ongoing basis through an automated process, comprising pre- and post-trade guideline monitoring and exception-based screening.

● ***What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?***

Not applicable

● ***How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?***

Not applicable

- *How have the indicators for adverse impacts on sustainability factors been taken into account?*

Not applicable

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

- *How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:*

Not applicable

*The EU Taxonomy sets out a “do not significant harm” principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.*

*The “do no significant harm” principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.*

*Any other sustainable investments must also not significantly harm any environmental or social objectives.*

Regulation requires that this document include these statements. However, for the avoidance of doubt, this Fund does not: (i) take into account the EU criteria for environmentally sustainable economic activities in the EU Taxonomy; or (ii) calculate its portfolio alignment with the EU Taxonomy. As such, the Fund is 0% aligned with the EU Taxonomy. The “do no significant harm” principle applies only to the portion of the Fund’s investments that are sustainable investments.



### Does this financial product consider principal adverse impacts on sustainability factors?

- Yes  
 No

The Fund considers principal adverse impacts (“PAI”) on sustainability factors only in part, as follows:

The Fund excludes issuers which receive a certain percentage of their revenue from thermal coal mining and extraction. The Fund therefore partly considers the PAI indicator (4) exposure to companies active in the fossil fuel sector.

The Fund excludes issuers which are involved in manufacturing the core weapon system of cluster munitions and anti-personnel mines. The Fund therefore partly considers the PAI indicator (14) exposure to controversial weapons.

Where the Investment Adviser considers the following PAI indicators to be materially relevant to, or impacted by, the activities of the issuer, it will also consider the following PAIs on sustainability factors. This will be done by the Investment Advisor (a) integrating ESG analysis within the research process and/or (b) engaging with management of investee companies. The PAIs considered are the following:

PAI indicator (1): Greenhouse gas emissions (GHG).

PAI indicator (3): GHG intensity.

PAI indicator (5): Non-Renewable energy consumption and production; and

PAI indicator (6): Energy consumption intensity per high impact climate sector.

As a result, the Fund contributes to mitigating the Fund’s adverse impacts on these sustainability factors.



**The investment strategy** guides investment decisions based on factors such as investment objectives and risk tolerance.

## What investment strategy does this financial product follow?

The Fund seeks long-term capital appreciation by investing primarily in companies located in the US that are principally engaged in the discovery, development, production, or distribution of products or services related to advances in healthcare. To achieve its objective, the investment team typically invests in unique companies it believes have sustainable competitive advantages, strong research and development and productive new product flow, financial strength and an attractive risk/reward. The investment process integrates analysis of sustainability by using ESG factors as a lens for additional fundamental research, which can contribute to investment decision-making. The Investment Adviser seeks to understand how environmental and social initiatives within companies can create value by strengthening durable competitive advantages, creating growth opportunities, driving profitability, and/or aligning with secular growth trends. The Investment Adviser generally engages with company management teams to discuss their ESG practices, with the aim of identifying how sustainability themes present opportunities and risks that can be material to the value of the security over the long term.

### ● **What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?**

Binding restriction screens are applied to the Fund to restrict investments in corporate issuers whose industry classification or core business activity, determined in accordance with the methodology set out below, involves:

- Tobacco.
- Coal; or
- Weapons, comprising civilian firearms, cluster munitions and anti-personnel mines.

The methodology used to determine industry classification or core business activity for the purpose of the above-described screening is as follows:

- 1) Global Industry Classification Standard (GICS) Sub-Industry is Tobacco or Coal & Consumable Fuels;
- 2) Revenue (as defined by external third-party data):
  - more than 5% of its recent-year revenue (or estimated revenue) from Tobacco;
  - more than 10% of its recent-year revenue (or estimated revenue) from Thermal Coal;
  - more than 10% of its recent-year revenue (or estimated revenue) from the Manufacture of Civilian Firearms and ammunition; or
- 3) Involvement as identified by an external third-party data provider through corporate ownership, in manufacturing the core weapon system, or components/services of the core weapon system that are considered tailor-made and essential for the lethal use of the weapon, or cluster munitions and anti-personnel mines.

Investments that are held by the Fund but which breach one of the above exclusionary screens 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.

### ● **What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?**

Not applicable. No minimum reduction rate has been defined in relation to the Fund's scope of investments. However, the Investment Adviser anticipates that the application of the exclusions described above will reduce the scope of the Fund's investment universe by up to 2%.

**Good governance** practices include sound management structures, employee relations, remuneration of staff and tax compliance.

● **What is the policy to assess good governance practices of the investee companies?**

As part of the Fund's holistic approach to considering sustainability research and factors, the Investment Adviser of the Fund assesses governance practices of investee companies, including but not limited to looking at the management structures, employee relations, remuneration of staff, and tax compliance of such companies. In particular, the Investment Adviser uses a proprietary, systematic evaluation of governance policies, specifically focusing on compensation alignment on long-term value creation.

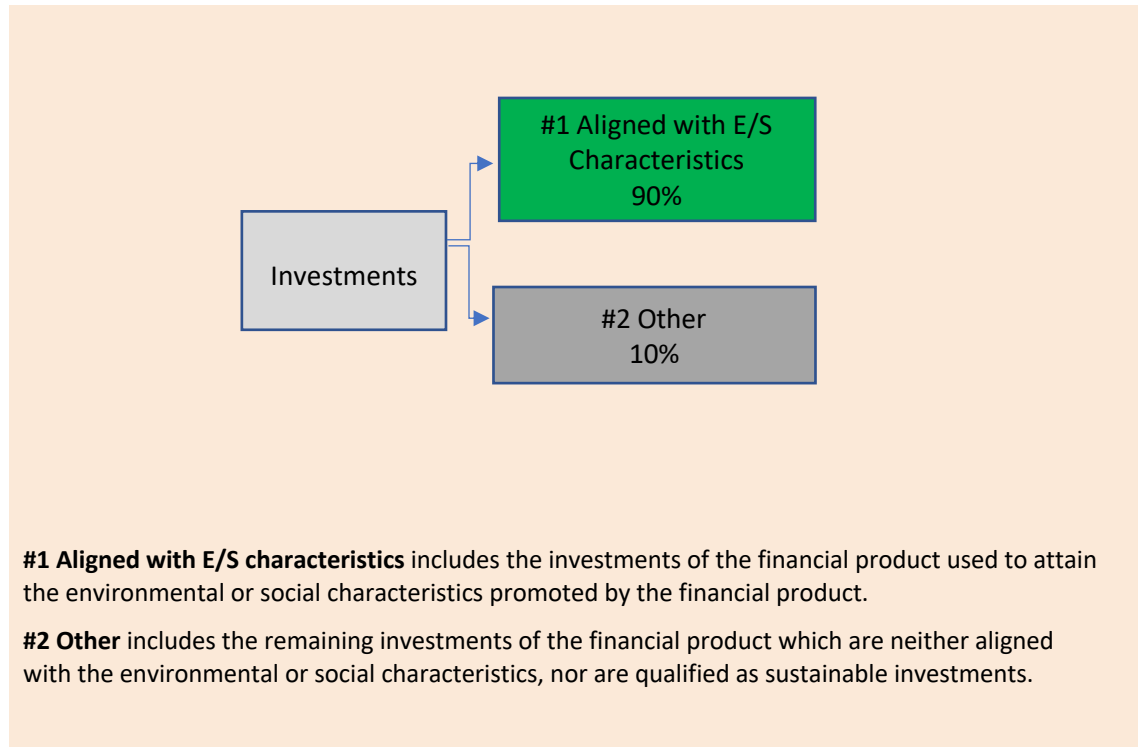


**Asset allocation** describes the share of investments in specific assets.

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.

**What is the asset allocation planned for this financial product?**



**#1 Aligned with E/S characteristics** includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

**#2 Other** includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

Category #1 investments (i.e. those aligned with E/S characteristics) comprise all investments that are screened against the Fund's Restriction Screening Policy. Category #2 investments are those investments that are not screened against the Fund's Restriction Screening Policy.

The entirety of the Fund, apart from cash and derivatives held for efficient portfolio management purposes, are screened against the Fund's Restriction Screening Policy. This comprises 90% of the Fund. Accordingly, at least 90% of the Fund are Category #1 investments and the remaining 10% of the Fund (comprising cash and derivatives held for hedging purposes) are Category #2 investments.

These percentages are measured according to the value of the investments.

● **How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?**

Not applicable. The Fund does not use any derivatives to attain its environmental or social characteristics.

**To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?**

Not applicable





● **Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy<sup>1</sup>?**

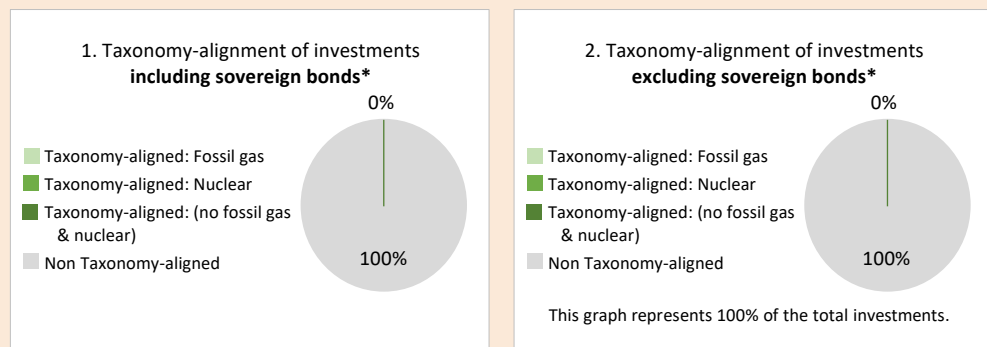
- Yes:
  - In fossil gas     In nuclear energy
- No

To comply with EU Taxonomy, the criteria for **fossil gas** include limitations on emission and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

**Transitional activities** are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

*The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.*



\* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures.

● **What is the minimum share of investments in transitional and enabling activities?**

Not applicable

<sup>1</sup> Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objective – see explanatory note in the left-hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.



### What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?

Not applicable



are sustainable investments with an environmental objective that **do not take into account** the criteria for environmentally sustainable economic activities under the EU Taxonomy.



### What is the minimum share of socially sustainable investments?

Not applicable



### What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?

The Fund may make investments in hedging and/or cash instruments. These are included in the “#2 Other” category. These instruments are not subject to environmental and/or social screening or any minimum environmental or social safeguards.



### Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?

Not applicable

**Reference benchmarks** are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.



### Where can I find more product specific information online?

More product-specific information can be found on the website:

[https://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite\\_msinvf\\_vitality\\_en.pdf](https://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite_msinvf_vitality_en.pdf)

**Template pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852**

**Product name:**  
Calvert Global High Yield Bond Fund

**Legal entity identifier:**  
254900B55Q8A1KYLJN18

## Environmental and/or social characteristics

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**.

That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

<b>Does this financial product have a sustainable investment objective?</b>	
<span style="color: green;">●●</span> <b>Yes</b>	<span style="color: green;">●</span> <span style="color: white;">●</span> <span style="border: 1px solid black; padding: 0 2px;">X</span> <b>No</b>
<input type="checkbox"/> It will make a minimum of <b>sustainable investments with an environmental objective: ___%</b> <ul style="list-style-type: none"> <li><input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> </ul> <input type="checkbox"/> It will make a minimum of <b>sustainable investments with a social objective: ___%</b>	<input checked="" type="checkbox"/> It <b>promotes Environmental/Social (E/S) characteristics</b> and while it does not have as its objective a sustainable investment, it will have a minimum proportion of <u>30</u> % of sustainable investments <ul style="list-style-type: none"> <li><input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input checked="" type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> <li><input checked="" type="checkbox"/> with a social objective</li> </ul> <input type="checkbox"/> It promotes E/S characteristics, but <b>will not make any sustainable investments</b>



## What environmental and/or social characteristics are promoted by this financial product?

The Fund promotes the following environmental and social characteristics:

- **Eligibility in line with Principles-based ESG Materiality Framework:** Through the application of the Calvert Principles for Responsible Investment (the “**Calvert Principles**”), the Fund promotes environmental sustainability and resource efficiency, equitable societies and respect for human rights, in addition to accountable governance and transparent operations. The Calvert Principles assess investee company activities and behaviours across a number of ESG themes deemed to be material by Calvert, and only issuers whose business practices and governance structure are assessed to be consistent with the Calvert Principles are eligible for inclusion in the Fund’s portfolio.
- **Low carbon intensity and portfolio-level decarbonisation:** The Fund seeks to promote the environmental characteristic of climate change mitigation by:
  - maintaining a lower carbon intensity than the ICE BofA Developed Markets High Yield Ex-Subordinated Financial Index (USD-hedged); and
  - aiming to reduce the Fund’s portfolio-level carbon intensity by 50% by year-end 2030, compared to March 30, 2022.
- **Exclusions:** The Fund seeks to promote the social characteristic of avoiding investments in activities which can cause harm to human health and wellbeing. Further detail on the nature of these exclusions is set out below (in response to the question, “*What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?*”).
- **Sustainable Investments:** The Fund aims to make a minimum of 30% sustainable investments in:
  - Corporate issuers that are involved in economic activities that address global environmental or societal challenges, or are leaders in managing financially material environmental or social risks and opportunities; or
  - Sustainable Bonds which make a positive environmental or social contribution through their use of proceeds,

and which pass the ‘do no significant harm’ and good governance requirements of the SFDR. See further details in response to the question below, “*What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?*”.

The Fund has not designated a reference benchmark for the purpose of attaining its environmental or social characteristics.

### ● **What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?**

The following sustainability indicators are used to measure the attainment of the Fund’s environmental and social characteristics:

Binding environmental and social characteristic	Indicator	Methodology
<u>Alignment with Principles-based ESG Materiality Framework</u>	Fund’s exposure to issuers that are aligned with the Calvert Principles. (Measured in terms of the Fund’s percentage)	The Calvert Principles is a framework to assess investee company activities and behaviours across a number of ESG themes (which are considered on a financial materiality basis) to determine their eligibility for Calvert funds. An

**Sustainability indicators** measure how the environmental or social characteristics promoted by the financial product are attained.

	market value invested in such securities.)	<p>expert team of ESG research analysts assess companies across the investable universe creating peer groups with similar ESG issues, and present eligibility determinations to Calvert’s Responsible Research Review Committee for approval. All investments in the Fund are made at the discretion of the Investment Adviser, drawing from the eligible investment universe.</p> <p>Every company in the investable universe is assessed against a specific set of indicators that are deemed material to the company’s specific peer group. Indicators cover the following themes:</p> <ul style="list-style-type: none"> <li>• <u>Environmental themes:</u> <ul style="list-style-type: none"> <li>• Biodiversity &amp; Land</li> <li>• Climate &amp; Energy</li> <li>• Overall Management of Environmental Risks</li> <li>• Packaging and Electronic Waste</li> <li>• Pollution and Waste</li> <li>• Environmental Impacts of the Supply Chain</li> <li>• Water</li> </ul> </li> <li>• <u>Social themes:</u> <ul style="list-style-type: none"> <li>• Employee Health and Safety</li> <li>• Valuing Human Capital &amp; Labour Management</li> <li>• Privacy &amp; Data Security</li> <li>• Product Integrity</li> <li>• Stakeholder Relations</li> <li>• Social Impacts of the Supply Chain</li> </ul> </li> </ul> <p>In total, over 700 underlying vendor data points feed into each of these thematic indicators.</p> <p>When ESG data is very limited, a more qualitative approach is taken. Qualitative reviews follow the same governance process and results in the ESG analyst preparing a write-up that indicates whether or not the issuer is adequately managing its material ESG risks and its performance on different ESG themes. Qualitative assessments, like quantitative assessments, are presented to and approved by Calvert’s Responsible Research Review Committee.</p>
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<u>Proportion of sustainable investments</u>	Proportion of sustainable investments under SFDR	Measured in terms of the Fund's percentage market value invested in such securities.
<u>Lower carbon intensity than the ICE BofA Developed Markets High Yield Ex-Subordinated Financial Index (USD-hedged)</u>	Weighted Average Carbon Intensity ("WACI": tons CO2e./US\$ million revenue)	The Fund's WACI is measured in terms of Scope 1 and 2 emissions, in tons of CO2 equivalent, normalised by a company's US\$ million revenues, based on third-party data, and weighted based on the Fund's corporate bond holdings.
<u>Carbon intensity halved by 2030</u>	Fund's year-end decarbonisation rate against baseline	Measured as the annual reduction rate in the Fund's WACI (Scope 1 and 2 tons CO2e./US\$ million revenue) at year-end at a portfolio level for corporate bond holdings. The baseline is calculated as of March 30, 2022. While the attainment of the binding environmental characteristic will be assessed as of year-end 2030, progress will be monitored and reported on an annual basis.
<u>Exclusions</u>	Fund's exposure to issuers that violate any of the exclusion criteria	Measured in terms of the Fund's percentage market value invested in such securities.

● ***What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?***

Calvert's approach to a sustainable investment is to ensure that an issuer is involved in an economic activity that is making a contribution to an environmental or social challenge, does not cause significant harm, and practices good governance. Issuers' involvement in economic activities making a positive contribution is determined using at least one of the following approaches:

- Bonds from corporate issuers that are involved in economic activities that address global environmental or societal challenges, or are leaders in managing financially material environmental or social risks and opportunities. Environmental or social challenges include environmental sustainability and resource efficiency, diversity, equity and inclusion. This is determined using at least one of the following approaches:
  - Companies that are considered leaders or improvers in managing financially material environmental or social risks and opportunities: Companies performing in the top 20-40% of their peer group on environmental or social factors determined to be financially material to the company, while not falling in the bottom 20-40% in any other material environmental, social, or governance issue according to Calvert's proprietary quantitative and qualitative assessment;
  - Companies considered to be addressing global challenges – climate change: Companies addressing the climate transition, which is evaluated by selecting companies that perform in the top 20-40% of their peer group on material environmental factors, and supported with a qualitative assessment of companies' green solutions, carbon reduction commitments, carbon emission performance trends and/or their progress toward meeting any commitments through their products and services and/ or which demonstrate commitment to the goal of reaching transition to reach net zero greenhouse gas emissions by 2050 or sooner;

- Companies considered to be addressing global challenges – diversity, equity and inclusion leaders and improvers: Companies that demonstrate leadership are evaluated based on the gender balance across different levels of the workforce and/or demonstrating leadership in ethnic diversity members relative to the country’s demographic in certain applicable countries, as well as leadership in other dimensions of diversity among board members (including age, cultural background, and skill sets), and policies and procedures that adequately support equal opportunity in the hiring process, equal pay and fair promotion. Companies that demonstrate meaningful improvement in diversity practices is evidenced by 1) increased workforce diversity (gender or ethnicity); 2) demonstrated progress after a severe diversity or inclusion controversy; 3) resolved shareholder proposals (for companies based in US and Canada) on diversity and inclusion issues; or 4) identified as an engagement target by Calvert on diversity and inclusion issues; or
  - Companies considered to be addressing global challenges – other: Companies whose business practices, products or solutions, or operations make a positive contribution to an environmental or social objective. To determine and document whether a company is making a positive contribution, a variety of data sources may be used, including third party vendor data and proprietary assessments of the alignment of corporate revenues, capital expenditures, business models, or operational metrics with defined environmental or social objectives.
- Green, Social or Sustainability Bonds (“**Sustainable Bonds**”), as labelled in the securities’ documentation, where the issuer commits to allocate the proceeds to projects making a positive environmental or social contribution. This includes, but is not limited to, bonds that align with the International Capital Market Association (ICMA)’s Green Bond Principles, Social Bond Principles, and Sustainability Bond Guidelines. Sustainable Bonds mobilise financing directly towards a multiplicity of environmental and social projects whose focus spans across a number of sustainability objectives. The specific objectives to which the Sustainable Bonds contribute depend on the eligible environmental and social project categories of each security, which can include, but are not limited to, financing for renewable energy, energy efficiency, clean transportation, affordable housing, and financial inclusion. To qualify as sustainable investments, Sustainable Bonds held in the Fund must be deemed eligible for investment according to Calvert’s proprietary sustainable bond assessment framework, through which the robustness, expected impact and transparency of all such instruments in the Fund are evaluated. All issuances held in the portfolio must be determined by Calvert to be of sufficient quality and rigor. Typically, issuers must receive a score of at least 3 (out of 5, where 5 is best) on the sustainable bond assessment framework to be considered for inclusion in the portfolio.

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

● ***How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?***

The Fund seeks to ensure that the sustainable investments of the Fund do not cause significant harm to relevant environmental or social sustainable investment objectives by:

- avoiding investments in issuers that violate minimum social safeguards; and
- excluding issuers which breach thresholds set for the principal adverse impact (“PAI”) indicators which Calvert is required to consider by the EU Sustainable Finance Disclosure Regulation (“SFDR”) rules, and which are relevant to the investment.

This assessment is conducted using in-house proprietary as well as third-party research on the sustainability characteristics of the Fund’s holdings.

– ***How have the indicators for adverse impacts on sustainability factors been taken into account?***

The Fund firstly accounts for adverse impacts on sustainability factors through the application of Calvert’s existing policies and the Calvert Principles which, as noted previously, consider how the investee companies’ impacts – positive and negative – on the environment, society, and human rights (among other ESG issues) through their activities or corporate behaviour, can have financially material effects on their business.

The “do no significant harm” methodology applied by Calvert on sustainable investments additionally seeks to exclude investments that cause harm to any of the PAI indicators which are mandatory for Calvert to consider under the EU SFDR rules, and which are relevant to the investment.

Calvert has determined specific metrics and quantitative thresholds for what constitutes significant harm to screen PAI indicators that are relevant to the investment, using third-party data as well as in-house research. The thresholds are set: (i) on an absolute value basis; (ii) on a relative basis in the context of the investment universe; or (iii) using pass/fail scores. Different metrics or thresholds may apply to issuers located in developed markets and in emerging markets, respectively. This is intended to reflect the different extent to which Calvert deems that meeting minimum sustainability standards in these markets is currently achievable.

Calvert may use reasonable proxy indicators sourced from third parties to address the current lack of data for certain PAI indicators. The use of proxy indicators will be kept under review, and will be replaced by data from third-party data providers when Calvert determines that sufficiently reliable data has become available.

Calvert may conclude an issuer is not causing significant harm if desktop research supports such a conclusion for one of the following reasons:

- (vi) the issuer has taken demonstrated steps and actions to address the potential significant harm such as through the adoption of time bound targets and goals or dedicated remediation activities and there are clear meaningful signs of improvement and positive change;
- (vii) the issuer has been identified by news sources and data vendors as being involved or potentially being involved in a controversy, however the controversy is at the level of unverified allegations; or the underlying issue now appears to be resolved through corporate, regulator or other action; or data vendor information available about the controversy is considered out of date by at least a year and further information showing steps towards positive resolution of the controversy are available;
- (viii) the underlying third-party data point is subjective in nature (e.g., vendors make different assessments of UNGC compliance given differing proprietary methodologies in the absence of an UN-defined list of violators) and Calvert’s own research provides an alternative viewpoint;
- (ix) Calvert has reason to believe that third party data is inaccurate (e.g., outdated, or based on estimates or flawed data assumptions) and Calvert’s own research demonstrates that the issuer is not causing significant harm; or
- (x) Calvert has taken action to engage with the underlying issuer on the specific areas of potential harm to ensure adequate remedial steps are taken.

Calvert generally conducts the PAI assessment at the issuer level. However, where appropriate the assessment may be done at security level in whole or in part. For instance, in the case of Sustainable Bonds, as defined above, the PAI indicators that are directly related to the sustainability factors targeted by the bond’s use of proceeds will be assessed at the security level, through Calvert’s proprietary Sustainable Bond Evaluation Framework. As an example, the Fund may invest in a Green Bond issued by a utility company that has a negative assessment under the PAI indicators related to GHG emissions and/or GHG intensity, as long as Calvert evaluates that the issuer has a credible strategy to reduce its GHG emissions, and that the Green Bond specifically contributes towards such goal. Other PAI indicators that are unrelated to the Sustainable Bond’s use of proceeds are still assessed at the issuer level.

The Fund’s PAI assessment is supported, on a qualitative basis, by Calvert’s engagement with selected issuers.



– ***How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:***

The Fund excludes from the entirety of the portfolio issuers which have experienced very severe controversies, including those related to violations of the UN Global Compact, the UN Guiding Principles on Business and Human Rights, the ILO Fundamental Principles, or the OECD Guidelines for Multinational Enterprises. This screening is done using third-party data.

Furthermore, through the application of the Calvert Principles to all investments in the Fund, the Fund incorporates consideration of the themes and values set out in the OECD Guidelines for Multi-National Enterprises and the UN Guiding Principles.

In particular, the Calvert Principles consider whether issuers:

- demonstrate poor management of environmental risks or contribute significantly to local or global environmental problems;
- demonstrate a pattern of employing forced, compulsory or child labour;
- exhibit a pattern and practice directly or through the company's supply chain of human rights violations or are complicit in human rights violations committed by governments or security forces, including those that are under U.S. or international sanction for human rights abuses; or
- exhibit a pattern and practice of violating the rights and protections of Indigenous Peoples.

*The EU Taxonomy sets out a “do not significant harm” principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.*

The “do no significant harm” principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

*Any other sustainable investments must also not significantly harm any environmental or social objectives.*



**Does this financial product consider principal adverse impacts on sustainability factors?**

- Yes  
 No

The Fund considers all of the mandatory PAI on sustainability factors which are relevant to the investment for the portion allocated to sustainable investments, as described above in response to the question, “How have the indicators for adverse impacts on sustainability factors been taken into account?”

The Fund considers the PAI indicators through some of the Fund's binding criteria as follows:

- The Fund aims to maintain a lower carbon intensity than the corporate portion of the reference benchmark, and to achieve portfolio-level net zero emissions for corporate investments halve its portfolio-level carbon intensity by 2030. The Fund therefore considers in whole the PAI indicator 3: GHG intensity of investee companies.
- The Fund excludes issuers which derive any revenue from thermal coal mining and extraction. The Fund therefore partly considers the PAI indicator 4: exposure to companies active in the fossil fuel sector.

- The Fund excludes issuers which derive any revenue from controversial weapons manufacturing or retail. The Fund therefore considers in whole the PAI indicator 14: exposure to controversial weapons.
- The Fund excludes issuers which have experienced very severe controversies. This includes controversies relating to violations of have committed violations of the UN Global Compact , the UN Guiding Principles on Business and Human Rights, or the ILO Fundamental Principles, or which have experienced very severe controversies relating to violations and/or of the OECD Guidelines for Multinational Enterprises. The Fund therefore considers in whole the PAI indicator 10: violations of UN Global Compact principles and OECD Guidelines for Multinational Enterprises.

The Fund will make information available on how it has incorporated the PAIs into the Fund in its periodic report to investors.



### What investment strategy does this financial product follow?

**The investment strategy** guides investment decisions based on factors such as investment objectives and risk tolerance.

The Fund’s investment objective is to generate current income and total return, while promoting environmental and social characteristics through a principles-based ESG materiality assessment of investments, a low carbon focus, and sustainable investments.

The Fund will invest primarily in a diversified portfolio of high yielding, Fixed Income Securities from issuers organised or operating in both developed and emerging markets which may include zero coupon bonds, deferred interest bonds, and bonds on which the interest is payable in the form of additional eligible stocks, bonds or notes of the same kind (Payment-in-Kind (PIK) securities).As part of the investment strategy, the Fund applies the Calvert Principles to the investment universe to define eligible investments, and exclusionary screening to further mitigate sustainability risks. The Fund will also maintain a lower carbon intensity than the reference benchmark while aiming to halve it by 2030 and makes sustainable investments in economic activities that address global environmental or societal challenges, in companies that are leaders in managing financially material environmental or social risks and opportunities, or in Sustainable Bonds making a positive environmental or social contribution through their use of proceeds.

The investment process is subject to regular review, as part of a control and monitoring framework implemented by the Investment Adviser. The Investment Adviser’s Compliance, Risk and Portfolio Surveillance teams collaborate with the investment team to conduct regular portfolio/performance reviews and systemic checks to ensure compliance with portfolio investment objectives and environmental and social characteristics, taking into account changing market conditions, information and strategy developments.

● **What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?**

The binding elements of the investment strategy are described in the table below.

The criteria are implemented and monitored by the Investment Adviser using a combination of third-party data and in-house research.

Binding criteria	
<b>Eligibility in line with Principles-based ESG Materiality Framework</b>	Only issuers whose business practices and governance structure are assessed to be consistent with the Calvert Principles are eligible for inclusion in the Fund’s portfolio, as described above in response to the question, “ <i>What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?</i> ”.
<b>Low carbon intensity</b>	The Fund’s corporate investments will maintain a lower carbon intensity than the ICE BofA Developed Markets High Yield Ex-Subordinated Financial Index (USD-hedged), as measured by the Weighted Average Carbon Intensity (WACI): Scope 1 and 2 tons CO2e./US\$ million Sales, weighted by corporate bond portfolio

	holdings. This characteristic applies at the aggregate portfolio level and not at the level of individual holdings, some of which may on an individual basis have a higher carbon intensity than the portfolio level average.
<b>Portfolio-level decarbonisation</b>	The Fund aims to halve its WACI at the portfolio level by year-end 2030, compared to March 30, 2022. While the binding element of this environmental characteristic refers to the year 2030, the Investment Adviser will pursue a yearly decarbonisation pathway to achieve this longer-term target, and to correct any potential deviations from such pathway. The Fund's decarbonisation rate will be monitored and reported on an annual basis, using the sustainability indicator described above in response to the question, " <i>What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?</i> ".
<b>The Fund will not invest in corporate issuers which:</b>	<p><b><u>Derive any revenue from any of the following activities:</u></b></p> <ul style="list-style-type: none"> <li>• Controversial weapons manufacturing or retail (anti-personnel landmines, cluster munitions, biological or chemical weapons, and nuclear weapons);</li> <li>• Tobacco manufacturing;</li> </ul> <p><b><u>Derive more than 5% revenue from any of the following activities:</u></b></p> <ul style="list-style-type: none"> <li>• Civilian firearms manufacturing or retail;</li> </ul> <p><b><u>Derive more than 10% revenue from the following activities:</u></b></p> <ul style="list-style-type: none"> <li>• Gambling;</li> <li>• Tobacco retail and distribution; or</li> </ul> <p><b><u>Violate any of the following norm-based exclusions:</u></b></p> <ul style="list-style-type: none"> <li>• Have experienced very severe ESG-related controversies, including in relation to violations of the UN Global Compact, the UN Guiding Principles on Business and Human Rights, the ILO Fundamental Principles, and of the OECD Guidelines for Multinational Enterprises.</li> </ul>
<b>Sustainable investments</b>	The Fund will maintain a minimum of 30% of sustainable investments, which meet the criteria as set out in response to the question, " <i>What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?</i> ".

● ***What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?***

The Investment Adviser estimates that the Principles-based ESG Materiality Framework and exclusions applied to the Fund will result in a reduction of at least 20% in Investment universe.

**Good governance** practices include sound management structures, employee relations, remuneration of staff and tax compliance.

● **What is the policy to assess good governance practices of the investee companies?**

Within Calvert’s proprietary research system, the Calvert Research System, the Calvert Governance Score is a common element across all peer group models. It is designed to capture the relationship between corporate governance and financial performance and to reduce country bias in company-level governance scoring.

The score breaks issuers into four country clusters based on written rules and market practices in those countries.

The score then applies 10 custom composite KPIs weighted by financial materiality within each country context. The KPIs assess the issuer’s corporate governance and business practices, including but not limited to evidence of sound management structures and employee relations, fair remuneration of staff, and tax compliance, in order to ensure that every investee company follows good governance practices.

When ESG data is very limited, a more qualitative research approach is taken. In these cases, the Calvert Governance Score is not generated, but a qualitative review of the issuer’s governance is conducted subject to the same oversight process as quantitatively scored issuers, including review by Calvert’s Responsible Research Review Committee.

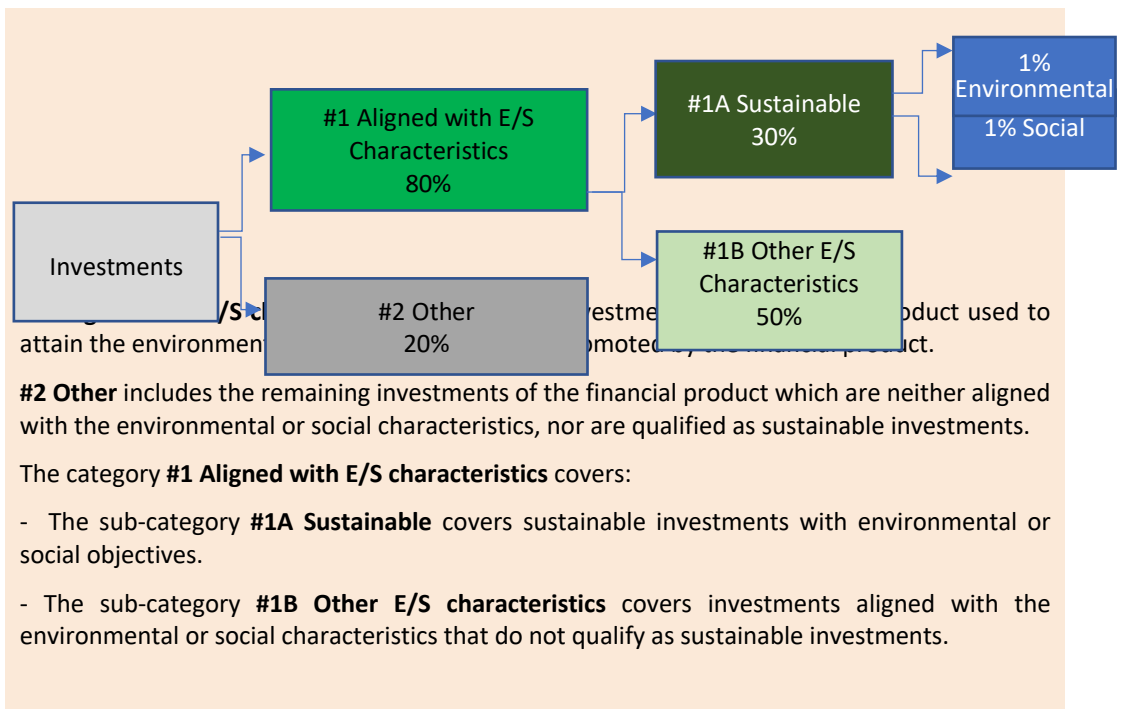


**Asset allocation** describes the share of investments in specific assets.

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure (CapEx)** showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure (OpEx)** reflecting green operational activities of investee companies.

**What is the asset allocation planned for this financial product?**



The Calvert Principles analysis, low carbon intensity and decarbonisation characteristics, and exclusions (as described above) will be applied to at least 80% of the portfolio, of which the Fund also expects to allocate a minimum of 30% of its assets to sustainable investments. Among these sustainable investments, the Fund commits to make a minimum of 1% of sustainable investments with an environmental objective and 1% of sustainable investments with a social objective which can both vary independently at any time.

A maximum of 20% of the Fund’s assets may be invested in hedging and/or cash instruments for efficient portfolio management purposes, which do not align with any environmental or social characteristics.

These percentages are measured according to the value of the investments.

● **How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?**

Not applicable.



To comply with EU Taxonomy, the criteria for **fossil gas** include limitations on emission and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

**Transitional activities** are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

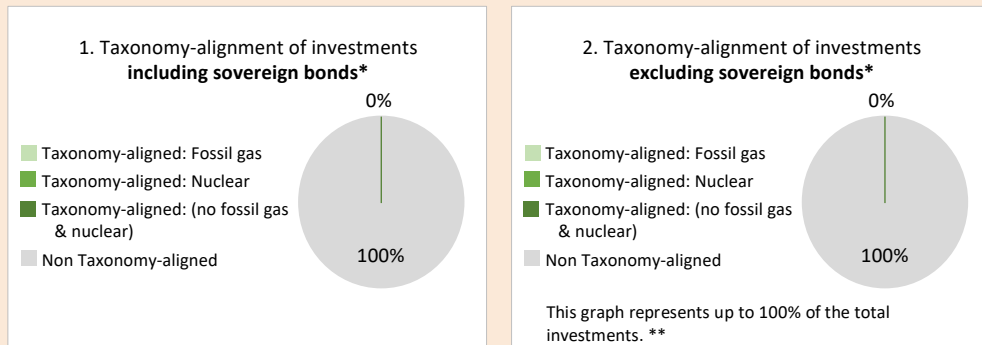
**To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?**

The Fund does not commit to making a minimum portion of sustainable investments with an environmental objective aligned with the EU Taxonomy.

● **Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy<sup>1</sup>?**

- Yes:  In fossil gas  In nuclear energy
- No

*The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.*



\* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures.  
 \*\*As the Fund does not commit to making sustainable investments aligned with the EU Taxonomy, the proportion of sovereign bonds in the Fund's portfolio will not impact the proportion of sustainable investments aligned with the EU Taxonomy included in the graph.

<sup>1</sup> Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objective – see explanatory note in the left-hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

● **What is the minimum share of investments in transitional and enabling activities?**

Although the Fund commits to invest in sustainable investments within the meaning of the SFDR, there is no commitment to a minimum share of investments in transitional and enabling activities.



**What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?**

The Fund intends to make a minimum of 30% sustainable investments as defined under the SFDR, with a combination of environmental and social objectives, as described above. Among these, the Fund commits to make a minimum of 1% of sustainable investments with an environmental objective and 1% of sustainable investments with a social objective which can both vary independently at any time. These sustainable investments will represent at least 30% of the portfolio holdings on an aggregated basis.

Although some of these sustainable investments may be Taxonomy aligned, due to lack of available data regarding the Taxonomy alignment of the underlying securities, the Investment Adviser has not been able to confirm whether these investments are in fact Taxonomy aligned and accordingly will not consider them as such in calculations until this data is reported on or otherwise becomes more reliable.



are sustainable investments with an environmental objective that **do not take into account** the criteria for environmentally sustainable economic activities under the EU Taxonomy.



**What is the minimum share of socially sustainable investments?**

As explained above, the Fund may make sustainable investments which contribute to either environmental or social objectives. Among these, the Fund commits to make a minimum of 1% of sustainable investments with an environmental objective and 1% of sustainable investments with a social objective which can both vary independently at any time. These sustainable investments will represent at least 30% of the portfolio holdings on an aggregated basis.



**What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?**

The Fund may have investments in hedging instruments for efficient portfolio management and in cash as ancillary liquidity. These instruments are included in the “#2 Other” category and are not subject to environmental and/or social screening or any minimum environmental or social safeguards.

**Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?**

Not applicable.

**Where can I find more product specific information online?**

More product-specific information can be found on the website:

[https://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite\\_msinvf\\_sustainableeuropeanhighyield\\_en.pdf](https://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite_msinvf_sustainableeuropeanhighyield_en.pdf)

**Reference benchmarks** are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.

Template pre-contractual disclosure for the financial products referred to in Article 9, paragraphs 1 to 4a, of Regulation (EU) 2019/2088 and Article 5, first paragraph, of Regulation (EU) 2020/852

**Product name:**  
Calvert Sustainable Global Green Bond Fund

**Legal entity identifier:**  
549300Q43ZZQCDYRE581

## Sustainable investment objective

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not include a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

Does this financial product have a sustainable investment objective?	
<input checked="" type="radio"/> <input checked="" type="radio"/> <input checked="" type="checkbox"/> Yes	<input checked="" type="radio"/> <input type="radio"/> <input type="checkbox"/> No
<p><input checked="" type="checkbox"/> It will make a minimum of <b>sustainable investments with an environmental objective:</b> <u>70</u>%</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input checked="" type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> </ul>	<p><input type="checkbox"/> It <b>promotes Environmental/Social (E/S) characteristics</b> and while it does not have as its objective a sustainable investment, it will have a minimum proportion of ___% of sustainable investments</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> with a social objective</li> </ul>
<p><input checked="" type="checkbox"/> It will make a minimum of <b>sustainable investments with a social objective:</b> <u>1</u>%</p>	<p><input type="checkbox"/> It promotes E/S characteristics, but <b>will not make any sustainable investments</b></p>



**Sustainability indicators** measure how the sustainable objectives of this financial product are attained.

## What is the sustainable investment objective of this financial product?

The Calvert Sustainable Global Green Bond Fund's sustainable investment objective is to support positive environmental and social impacts and outcomes by investing in certain types of bonds, which include the following instruments:

- bonds whose proceeds are targeted to environmentally beneficial projects
- Sustainability Bonds, with a proportion of the proceeds targeted to environmentally beneficial projects;
- Transition Bonds, with proceeds targeted to transitioning to more environmentally favourable business models;
- Sustainability-linked Bonds, with environmental key performance indicators and targets;
- bonds of issuers that seek to provide environmental solutions or that demonstrate environmental sustainability leadership; and
- bonds which are deemed by the Investment Adviser to make a significant environmental or social positive contribution based on the Investment Adviser's proprietary sustainability bond assessment framework.

All of the bonds above are referred to as "**Green Bonds**" in this disclosure.

The above bonds may or may not be labelled as green, sustainable or transition bonds by external labelling regimes.

The Fund has not designated a reference benchmark for the purpose of attaining its sustainable investment objective.

### ● **What sustainability indicators are used to measure the attainment of the sustainable investment objective of this financial product?**

The sustainability indicators used to measure the attainment of the sustainable investment objective of this financial product are :

- % of investments in Green Bonds with a sustainable debt score above 3
- % of investments held in the Fund that are considered eligible for investment in accordance with the Calvert Principles
- % of investments aligned with international recognised standards such as the ICMA
- % of investments held in the Fund breaching the exclusionary screens.

All securities held in the fund are assessed against a focused sustainable debt assessment. This sustainable debt assessment is typically driven at the security level by a score on a scale of 1-5, 5 being best and 3 generally being the minimum threshold for inclusion in the portfolio, but will in some circumstances instead be informed by reliance on recognised green bond guidelines. The sustainable debt score is based on the Investment Adviser's proprietary Sustainable Bond assessment framework, which is intended to identify the likely environmental and/or social benefits of the securities in question. The relevant sustainability indicator is therefore the sustainable debt score, or that the investment in question is labelled according to internationally recognised standards.

In addition to the use of this proprietary Sustainable Bond assessment framework, the portfolio, constructed at the discretion of the Investment Adviser, must only hold issuers which are deemed eligible for investment according to the Calvert Principles for Responsible Investment (the "Calvert Principles").

The Calvert Principles assess investee activities and behaviours across a number of ESG themes (which are considered on a financial materiality basis) to construct a portfolio of issuers that Calvert considers to be leaders on ESG matters.

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.



To conduct this analysis, Calvert developed the proprietary Calvert Research System (“CRS”) that leverages indicators sourced from third party data vendors, external research partners, and Calvert’s own proprietary custom indicators to support measurement and ranking of issuer performance on different ESG themes. An expert team of ESG sector analysts assess companies across the investable universe creating peer groups with similar ESG issues. Each peer group is evaluated and a thesis is developed to determine the themes which are most financially material to the group. A specific set of themes and underlying relevant indicators deemed to be financially material to the issuer’s specific peer group are scored, assigned and weighted. Additionally, Calvert’s team of analysts review circumstantial information (current and ongoing issues) from data vendors and news sources to determine if the issuer may have issues detrimental to its performance. The circumstantial review is applied as a discount to a issuer’s overall score in the CRS system. The analyst then reviews the information from CRS to determine if the issuer meets the Calvert Principles. Such determinations are then presented to and approved by Calvert’s Research Review Committee.

When ESG data is very limited, a more qualitative approach is taken. Qualitative reviews follow the same governance process and results in the analyst preparing a write-up that indicates whether or not the issuer is adequately managing its material ESG risks and its performance on different ESG themes.

All determinations are then presented to and approved by the Responsible Research Review Committee.

The following themes are considered in CRS, as applicable, depending on a issuer’s peer group and the financial materiality of each theme to that peer group:

- Environmental themes:
  - o Biodiversity & Land
  - o Climate & Energy
  - o Overall Management of Environmental Risks
  - o Packaging and Electronic Waste
  - o Pollution and Waste
  - o Environmental Impacts of the Supply Chain
  - o Water
- Social themes:
  - o Employee Health and Safety
  - o Valuing Human Capital & Labour Management
  - o Privacy & Data Security
  - o Product Integrity
  - o Stakeholder Relations
  - o Social Impacts of the Supply Chain

The themes listed above are each supported by several sub-themes that feed into the over 200 peer group models housed within CRS. In total, over 700 underlying vendor data points feed into these environmental and social thematic indicators.

● ***How do sustainable investments not cause significant harm to any environmental or social sustainable investment objective?***

The Fund do not to cause significant harm to any environmental or social objective by avoiding investments in issuers that violate minimum social safeguards and by excluding issuers which breach thresholds set for the principal adverse impact (“PAI”) indicators which Calvert is required to consider by the EU Sustainable Finance Disclosure Regulation (“SFDR”) rules, and which are relevant to the investment.

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

This assessment is conducted using in-house proprietary as well as third-party research on the sustainability characteristics of the Fund's holdings.

– ***How have the indicators for adverse impacts on sustainability factors been taken into account?***

The Fund firstly accounts for adverse impacts on sustainability factors through the application of Calvert's existing policies and the Calvert Principles which, as noted previously, consider how the investee companies' impacts – positive and negative – on the environment, society, and human rights (among other ESG issues) through their activities or corporate behaviour, can have financially material effects on their business.

Calvert additionally tests all investments against the PAI indicators which are mandatory to consider under the EU Sustainable Finance Disclosure Regulation ("SFDR") rules and which are relevant to the investment. Calvert does this by using a combination of quantitative and qualitative tests, using available third party and proprietary data for each PAI indicator.

Calvert seeks data that is most closely aligned with each individual PAI. In some cases third party data is limited and if issuers or specific issues are not covered by a vendor for a particular PAI Calvert will supplement with best available proxy indicators.

Calvert applies the following types of tests on the PAIs in order to determine if the investment may be causing significant harm:

1. With respect to PAI indicators for which Calvert considers sufficient and reliable quantitative data is available across the investment universe, Calvert determines whether the adverse impact associated with the issuer's activities is significant based on the issuer's relative ranking within a peer group or benchmark universe, or based on an absolute standard of performance, as appropriate for the specific PAI.
2. For PAIs where data availability or quality is too limited to enable a quantitative analysis (e.g., activities negatively affecting biodiversity-sensitive areas) Calvert assesses significant harm on a qualitative basis using available proxy data.

In cases where third party or vendor data suggests an investment may be causing significant harm, Calvert conducts additional desktop research to better understand and assess negative impacts. If Calvert concludes that the issuer is not causing significant harm based on its analysis, the rationale for that decision will then be documented. Calvert may conclude an issuer is not causing significant harm if:

- (i) the issuer has taken demonstrated steps and actions to address the potential significant harm such as through the adoption of timebound targets and goals or dedicated remediation activities and there are clear meaningful signs of improvement and positive change;
- (ii) the issuer has been identified by news sources and data vendors as potentially being involved in a controversy, but the issue is unresolved and the role of the issuer in causing harm is unclear, in these cases the investment adviser monitors the case on an ongoing basis to clarify its assessment as more information become available;
- (iii) the underlying third party datapoint is subjective in nature (e.g., there is no definitive list provided by the UNGC setting out which companies violate their guidelines, meaning that what constitutes a violation of UNGC guidelines and what constitutes lack of processes to prevent UNGC violations are determinations that each vendor needs to make individually) and Calvert's own research provides an alternative viewpoint;
- (iv) Calvert has reason to believe that third party data is inaccurate (e.g, based on estimates or flawed data assumptions) and Calvert's own research demonstrates that the issuer is not causing significant harm; or
- (v) Calvert has taken action to engage with the underlying issuer on the specific areas of potential harm to ensure adequate remedial steps are taken.

The Investment Advisor will keep such investments under review.

Calvert generally conducts the PAI assessment at the issuer level. However, where appropriate the assessment may be done at security level in whole or in part (for example PAI indicators directly related to the sustainability factors targeted by the bond's use of proceeds may be assessed at the security level), with respect to the assets underlying a securitised investment or taking into account the activities of the originator.

In cases where Calvert determines that an issuer (or, where appropriate, investment) is causing significant harm according to the PAI, it will be removed from the portfolio.

Calvert may use reasonable proxy indicators sourced from third parties to address the current lack of data for certain PAI indicators. Calvert's use of proxy indicators will be kept under review and will be replaced by PAI data from third-party data providers, when it determines that sufficiently reliable data has become available.

Relevant PAI indicators will be assessed as described above on a pre-investment basis. In circumstances where a full assessment of all relevant PAI indicators cannot be completed pre-investment for investments in certain asset classes (for example, because of a new issuance announced with insufficient time for a full evaluation to be completed), the fund may invest in the relevant security without having completed the full PAI analysis above, provided that: (i) the issuer is eligible according to the Calvert Principles (which, as part of its overall evaluation process, considers relevant PAI indicators in a qualitative manner); and (ii) the security is held out as a green or sustainable bond under internationally recognized standards. Following any such investment in a security, Calvert will complete its full evaluation of the impact of the investment on all relevant PAI indicators promptly. In cases where Calvert determines that an issuer (or, where appropriate, investment) is causing significant harm according to the PAI assessment, it will be removed from the portfolio in a timely manner.

– *How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights?*

The Fund excludes from the entirety of the portfolio issuers which have experienced very severe controversies, including those related to violations or that are deemed to violate the UN Global Compact, the UN Guiding Principles on Business and Human Rights, or the ILO Fundamental Principles, and issuers with very severe controversies related to violations of or the OECD Guidelines for Multinational Enterprises. This screening is done using third-party data. Furthermore, through the application of the Calvert Principles to all investments in the Fund, the Fund incorporates consideration of the themes and values set out in the OECD Guidelines for Multi-National Enterprises and the UN Guiding Principles.

In particular, the Calvert Principles consider whether issuers:

- demonstrate poor management of environmental risks or contribute significantly to local or global environmental problems;
- demonstrate a pattern of employing forced, compulsory or child labour;
- exhibit a pattern and practice directly or through the company's supply chain of human rights violations or are complicit in human rights violations committed by governments or security forces, including those that are under U.S. or international sanction for human rights abuses; or
- exhibit a pattern and practice of violating the rights and protections of Indigenous Peoples.

In addition, investments are screened using third party data regarding the issuer's compliance with the UN Guiding Principles on Business and Human Rights. Where the application of this screen reveals potential non-compliance, Calvert conducts additional desktop research to verify the issuer's non-compliance. Should Calvert determine that the issuer is appropriate for inclusion in the Fund notwithstanding the results of the third

party screen (for example because of historical instances of non-compliance which have since been remediated in Calvert's view), Calvert will document its rationale for inclusion. This screen generally takes place pre-investment but in limited instances where third party data cannot be sourced prior to investment due to timing constraints, the screen will take place immediately post investment and any investments that are found to be causing significant harm thereafter will be excluded from the portfolio.

*The EU Taxonomy sets out a "do not significant harm" principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.*

The "do no significant harm" principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

*Any other sustainable investments must also not significantly harm any environmental or social objectives.*



### Does this financial product consider principal adverse impacts on sustainability factors?

- Yes  
 No

The Fund takes the mandatory PAI indicators into account for all its sustainable investments using a combination of qualitative and quantitative criteria, as explained above in response to the question, "How have the indicators for adverse impacts on sustainability factors been taken into account?"

The Fund will make information available on how it has incorporated the PAIs into the Fund in its periodic reports to investors.



### What investment strategy does this financial product follow?

The Fund will invest in Green Bonds including the global securities of corporate, government and government related issuers across a spectrum of fixed income asset classes including, investment grade bonds, high yield bonds, mortgage-backed securities, asset-backed securities, convertibles and currencies, and subject to applicable law, in other asset-backed securities, loan participations and loan assignments, to the extent that these instruments are securitised. High yield bonds are considered to be Fixed Income Securities issued by corporations that are rated lower than "BBB-" by S&P or "Baa3" by Moody's or similarly by another internationally recognised rating service or determined to be of similar creditworthiness by the Investment Adviser. These investments may include fixed income securities issued in emerging markets.

The Fund is actively managed by the Investment Adviser on an ongoing basis in accordance with its investment strategy. The investment process is subject to regular review, as part of a control and monitoring framework implemented by the Investment Adviser and the Management Company. The Investment Adviser's Compliance, Risk and Portfolio Surveillance teams collaborate with the investment team to conduct regular portfolio/performance reviews and systemic checks to ensure compliance with portfolio investment objectives, investment and client guidelines, taking into account changing market conditions, information and strategy developments.

**The investment strategy** guides investment decisions based on factors such as investment objectives and risk tolerance.

The Investment Adviser employs a proprietary assessment framework for Green Bonds (which has regard to, where appropriate, recognised green bond guidelines such as the Green Bonds Principles of the International Capital Market Association), through which the robustness, expected impact and transparency of all such instruments in the Fund are evaluated. The Investment Adviser uses in-house and third-party data and ESG research as part of its analysis.

The proprietary assessment framework for Green Bonds assesses issuances based on a number of factors including:

- issuer trajectory (e.g. issuer's overall management of material environmental or social issues and the ambition, quality and scope of relevant targets in the issuer's offering documents);
- whether the use of proceeds contributes to environmental or social objectives & project impact;
- alignment with external standards;
- project selection process by the issuer;
- governance (management of proceeds);
- the second party opinion given pre-issuance on the sustainability of the issuance;
- third-party assurance/verification of the environmental or social contribution of the project; and
- periodic reporting quality of the environmental or social contribution of the project.

Issuers are scored based on their performance against the factors according to specific criteria. All issuances held in the portfolio must be determined by Calvert to be of sufficient quality and rigor, as informed by its score. Typically, issuers must receive a score of at least 3 (out of 5) on the sustainable bond assessment framework to be considered for inclusion in the portfolio. Issuers are also subject to qualitative review by the ESG Research Analyst team, which may result in highly scored issuers being excluded from the portfolio due to other considerations not fully reflected in the score.

In addition to the use of this proprietary sustainable bond assessment framework, all issuers held in the portfolio must be deemed eligible for investment according to the Calvert Principles, which assess companies based on their management of material environmental, social and governance factors. Companies that are not adequately managing financially material environmental, social and governance factors are deemed ineligible for investments. This assessment is performed using CRS and analyst decisions as further described below.

Each holding will be deemed eligible at the issuer level according to the Calvert Principles as well as being deemed eligible according to Calvert's proprietary Sustainable Bond evaluation framework as per the methodologies deployed by Calvert's research team. Eligibility of an issuer according to the Calvert Principles will be determined pre-investment. The Investment Adviser may invest in a security before Calvert has completed its separate Sustainable Bond evaluation for the security if completion of the Sustainable Bond evaluation is not possible in the circumstances (for example, because of a new issuance announced with insufficient time for a full evaluation to be completed). Any security purchased before Calvert can complete its Sustainable Bond evaluation must at least be held out as a labelled green or sustainable bond according to internationally recognized standards. Following any such investment in a security, Calvert will evaluate the security according to its Sustainable Bond evaluation framework. If the security is determined to be ineligible, the Investment Adviser will sell it promptly and at a time and in a manner that is determined to be in the best interests of shareholders.

One of the sustainability indicators used to measure the attainment of the Fund's sustainable investment objective is a focused sustainable debt assessment performed for every security held in the fund. This sustainable debt assessment is typically driven at the security level by a score on a scale of 1-5, 5 being best and 3 generally being the minimum threshold for inclusion in the portfolio but will in some circumstances instead be informed by reliance on recognised green bond guidelines. The sustainable debt score is based on the Investment Adviser's proprietary Sustainable Bond assessment framework, which is intended to identify the likely environmental and/or social benefits of the securities in question. The relevant sustainability

indicator is therefore the sustainable debt score, or that the investment in question is labelled according to internationally recognised standards.

In addition to the use of this proprietary Sustainable Bond assessment framework, the portfolio, constructed at the discretion of the Investment Adviser, must only hold issuers which are deemed eligible for investment according to the Calvert Principles for Responsible Investment (the “Calvert Principles”).

The Calvert Principles assess investee activities and behaviours across a number of ESG themes (which are considered on a financial materiality basis) to construct a portfolio of issuers that Calvert considers to be leaders on ESG matters.

To conduct this analysis, Calvert developed the proprietary Calvert Research System (“CRS”) that leverages indicators sourced from third party data vendors, external research partners, and Calvert’s own proprietary custom indicators to support measurement and ranking of issuer performance on different ESG themes. An expert team of ESG sector analysts assess companies across the investable universe creating peer groups with similar ESG issues. Each peer group is evaluated and a thesis is developed to determine the themes which are most financially material to the group. A specific set of themes and underlying relevant indicators deemed to be financially material to the issuer’s specific peer group are scored, assigned and weighted. Additionally, Calvert’s team of analysts review circumstantial information (current and ongoing issues) from data vendors and news sources to determine if the issuer may have issues detrimental to its performance. The circumstantial review is applied as a discount to a issuer’s overall score in the CRS system. The analyst then reviews the information from CRS to determine if the issuer meets the Calvert Principles. Such determinations are then presented to and approved by Calvert’s Research Review Committee.

When ESG data is very limited, a more qualitative approach is taken. Qualitative reviews follow the same governance process and results in the analyst preparing a write-up that indicates whether or not the issuer is adequately managing its material ESG risks and its performance on different ESG themes.

All determinations are then presented to and approved by the Responsible Research Review Committee.

The following themes are considered in CRS, as applicable, depending on a issuer’s peer group and the financial materiality of each theme to that peer group:

- Environmental themes:
  - o Biodiversity & Land
  - o Climate & Energy
  - o Overall Management of Environmental Risks
  - o Packaging and Electronic Waste
  - o Pollution and Waste
  - o Environmental Impacts of the Supply Chain
  - o Water
- Social themes:
  - o Employee Health and Safety
  - o Valuing Human Capital & Labour Management
  - o Privacy & Data Security
  - o Product Integrity
  - o Stakeholder Relations
  - o Social Impacts of the Supply Chain

The themes listed above are each supported by several sub-themes that feed into the over 200 peer group models housed within CRS. In total, over 700 underlying vendor data points feed into these environmental and social thematic indicators.

● ***What are the binding elements of the investment strategy used to select the investments to attain the sustainable investment objective?***

The binding elements of the investment strategy used to select the investments to achieve the attainment of the sustainable investment objective are the following:

- All bonds held in the Fund must be deemed eligible for investment according to Calvert's proprietary green bond assessment framework and the Calvert Principles for Responsible Investment, by either having a sustainable debt score of at least 3 (out of 5), or being labelled according to internationally recognised standards such as ICMA

In addition, the Investment Adviser shall not knowingly include companies in the fund which are:

- manufacturing or producing controversial weapons (anti-personnel landmines, cluster munitions, biological or chemical weapons, and nuclear weapons);
- manufacturing or producing civilian firearms, where the company derives >5% revenue from such business activity;
- manufacturing or producing 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.

The Fund will also not invest in securities of issuers that have experienced very severe ESG-related controversies, including in relation to violations of the UN Global Compact, the UN Guiding Principles on Business and Human Rights, the ILO fundamental principles, and of the OECD Guidelines for Multinational Enterprises.

Good governance practices include sound management structures, employee relations, remuneration of staff and tax compliance.

● ***What is the policy to assess good governance practices of the investee companies?***

Within the Calvert Research System, the Calvert Governance Score is a common element across all peer group models. It is designed to capture the relationship between corporate governance and financial performance and to reduce country bias in company-level governance scoring.

The score breaks issuers into four country clusters based on written rules and market practices in those countries.

The score then applies 10 custom composite KPIs weighted by financial materiality within each country context. The KPIs assess the issuer's corporate governance and business practices, including but not limited to evidence of sound management structures and employee relations, fair remuneration of staff, and tax compliance, in order to ensure that every investee company follows good governance practices.

When ESG data is very limited, a more qualitative research approach is taken. In these cases, the Calvert Governance Score is not generated, but a qualitative review of the issuer's governance is conducted subject to the same oversight process as quantitatively scored issuers, including review by Calvert's Responsible Research Review Committee.

In addition, the Investment Adviser's proprietary sustainable bond framework assesses the governance of the issuer as part of its analysis. This assessment includes an assessment of the structural framework in place to effectively manage the use of proceeds.



## What is the asset allocation and the minimum share of sustainable investments?

### Asset allocation

describes the share of investments in specific assets.

Taxonomy-aligned activities are expressed as a share of:

#### - turnover

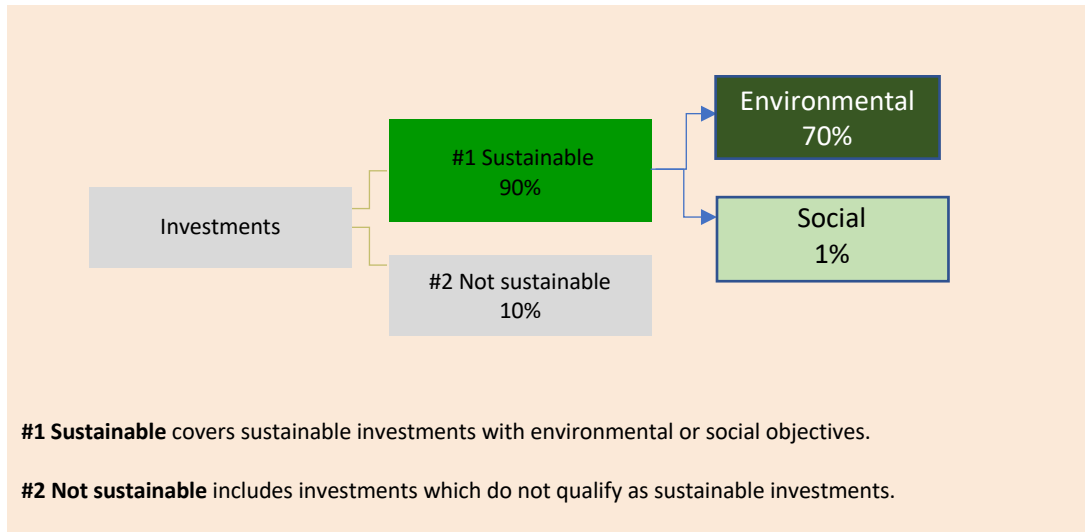
reflecting the share of revenue from green activities of investee companies

#### - capital expenditure

(CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.

#### - operational

expenditure (OpEx) reflecting green operational activities of investee companies.



The Calvert Principles (as described above in response to the question, “*What investment strategy does this financial product follow?*”) will be applied to at least 90% of the investments within the portfolio and the Fund will only make sustainable investments (alongside investments for hedging or liquidity purposes).

As a result, of this process at least 90% of portfolio holdings of the Fund are expected to consist of sustainable investments. Among these, the Fund commits to make a minimum of 70% of sustainable investments with an environmental objective and 1% of sustainable investments with a social objective which can both vary independently at any time. The 1% commitment to sustainable investments with a social objective reflects the smaller size and growth rate of the Social Bond market compared to the Green Bond market.

The remaining approximately 10% is expected to consist of investments held for ancillary liquidity and hedging instruments.

These percentages are measured according to the portfolio weight, which is based on the market value of the investments.

#### ● **How does the use of derivatives attain the sustainable investment objective?**

Not applicable.



## To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?


The Fund does not commit to making a minimum portion of sustainable investments with an environmental objective aligned with the EU Taxonomy



To comply with EU Taxonomy, the criteria for **fossil gas** include limitations on emission and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

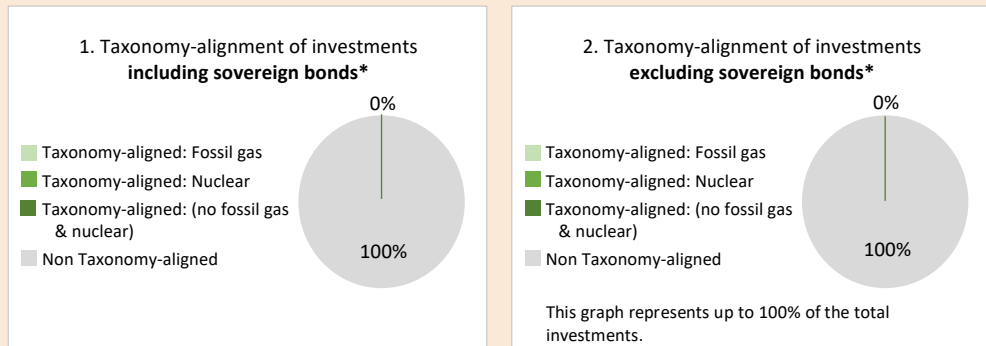
**Transitional activities** are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

 are sustainable investments with an environmental objective that **do not take into account** the criteria for environment-ally sustainable economic activities under the EU Taxonomy.

● **Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy<sup>1</sup>?**

- Yes:
  - In fossil gas     In nuclear energy
- No

*The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.*



\* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures.  
 \*\*As the Fund does not commit to making sustainable investments aligned with the EU Taxonomy, the proportion of sovereign bonds in the Fund's portfolio will not impact the proportion of sustainable investments aligned with the EU Taxonomy included in the graph.

● **What is the minimum share of investments in transitional and enabling activities?**

Although the Fund commits to invest in sustainable investments within the meaning of the SFDR, there is no commitment to a minimum share of investments in transitional and enabling activities.

**What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?**

The Fund intends to make a minimum of 90% of sustainable investments as defined under the SFDR. Among these, the Fund commits to make a minimum of 70% of sustainable investments with an environmental objective and 1% of sustainable investments with a social objective which can both

<sup>1</sup> Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objective – see explanatory note in the left-hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

vary independently at any time. These sustainable investments will represent at least 90% of the portfolio holdings on an aggregated basis.

Although some of these sustainable investments may be Taxonomy aligned, due to lack of available data regarding the Taxonomy alignment of the underlying securities, the Investment Adviser has not been able to confirm whether these investments are in fact Taxonomy aligned and accordingly will not consider them as such in calculations until this data is reported on or otherwise becomes more reliable.



### **What is the minimum share of sustainable investments with a social objective?**

The Fund commits to at least 1% of sustainable investments with a social objective.



### **What investments are included under “#2 Not sustainable”, what is their purpose and are there any minimum environmental or social safeguards?**

The “#2 Not sustainable” investments held in the Fund comprise of investments in cash held as ancillary liquidity, and derivatives held for hedging purposes. These investments are not subject to any minimum environmental and social safeguards.



### **Is a specific index designated as a reference benchmark to meet the sustainable investment objective?**

Not applicable.

**Reference benchmarks** are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.



### **Where can I find more product specific information online?**

More product-specific information can be found on the website:

[https://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite\\_msinvf\\_calvertsustainableglobalgreenbond\\_en.pdf](https://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite_msinvf_calvertsustainableglobalgreenbond_en.pdf)

**Pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852**

**Product name:**  
Emerging Markets Corporate Debt Fund

**Legal entity identifier:**  
5493007BB7NIVVCOWZ40

## Environmental and/or social characteristics

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**.

That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

Does this financial product have a sustainable investment objective?	
●● <input type="checkbox"/> Yes	●● <input checked="" type="checkbox"/> No
<input type="checkbox"/> It will make a minimum of <b>sustainable investments with an environmental objective: ___%</b> <ul style="list-style-type: none"> <li><input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> </ul>	<input checked="" type="checkbox"/> It <b>promotes Environmental/Social (E/S) characteristics</b> and while it does not have as its objective a sustainable investment, it will have a minimum proportion of <u>10</u> % of sustainable investments <ul style="list-style-type: none"> <li><input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input checked="" type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> <li><input checked="" type="checkbox"/> with a social objective</li> </ul>
<input type="checkbox"/> It will make a minimum of <b>sustainable investments with a social objective: ___%</b>	<input type="checkbox"/> It promotes E/S characteristics, but <b>will not make any sustainable investments</b>



## What environmental and/or social characteristics are promoted by this financial product?

The Fund promotes the environmental characteristic of climate change mitigation by excluding investments in certain types of fossil fuels. In addition, the Fund promotes the social characteristic of avoiding investments in certain activities which can cause harm to human health and wellbeing.

Further detail on the nature of these exclusions is set out below (in response to the question, “*What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?*”).

The Fund also supports the above environmental and social characteristics by aiming to make a minimum of 10% sustainable investments in:

- Corporate issuers whose business practices, products or solutions, make a net positive contribution towards United Nations’ Sustainable Development Goals (“**SDGs**”); or
- Sustainable Bonds which make a positive environmental or social contribution through their use of proceeds, as explained in response to the question below, “*What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?*”.

The Fund has not designated a reference benchmark for the purpose of attaining its environmental or social characteristics.

**Sustainability indicators** measure how the environmental or social characteristics promoted by the financial product are attained.

### ● **What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?**

The sustainability indicator used to measure the attainment of the Fund’s environmental and social characteristics is the Fund’s exposure, in percentage market value, to issuers that violate any of the exclusion criteria. Additional details on the Fund’s exclusions criteria and methodology are provided below in response to the question, “*What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?*”

### ● **What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?**

The Fund’s sustainable investments will fall within one of the following categories:

- Green, Social or Sustainability Bonds (“Sustainable Bonds”), as labelled in the securities’ documentation, where the issuer commits to allocate the proceeds to projects making a positive environmental or social contribution. This includes, but is not limited to, bonds that align with the International Capital Market Association (ICMA)’s Green Bond Principles, Social Bond Principles, and Sustainability Bond Guidelines, and bonds which have been assessed through the Investment Adviser’s proprietary Sustainable Bond evaluation framework. Sustainable Bonds mobilise financing directly towards a variety of environmental and social projects whose focus spans across a number of sustainability objectives. Examples include, but are not limited to, financing for renewable energy, energy efficiency, clean transportation, affordable housing, and financial inclusion projects. The specific objectives to which the Sustainable Bonds contribute depend on the eligible environmental and social project categories of each security.
- Bonds from corporate issuers whose business practices, products or solutions, make a net positive contribution towards the SDGs. The SDGs were adopted by the United Nations in 2015 as a universal call to action to end poverty, protect the planet and ensure that by 2030

all people enjoy peace and prosperity. They include environmental (e.g. Climate Action or Life on Land) and social (e.g. Good Health and Well-Being) objectives. The Investment Adviser defines positive contribution to the SDGs as a net positive aggregate alignment score across all the SDGs (i.e., scores measuring positive contribution to individual SDGs have to, in total, be greater than the total of any negative contribution scores), based on third-party data. The Investment Adviser will also only include issuers which have sufficient positive SDG alignment (in the Investment Adviser's view) with at least one individual SDG, and which do not have any material mis-alignments (in the Investment Adviser's view) on any of the SDGs.

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

● ***How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?***

The Fund's sustainable investments aim not to cause significant harm to any environmental or social objective, by:

- avoiding investments in issuers that violate minimum social safeguards; and
- by the Fund excluding issuers which breach thresholds set by the Investment Adviser relating to the principal adverse impact ("PAI") indicators which the Investment Adviser is required to consider by the EU Sustainable Finance Disclosure Regulation ("SFDR") rules, and which are relevant to the investment.

This assessment is conducted using in-house proprietary as well as third-party research on the sustainability characteristics of the Fund's holdings.

– ***How have the indicators for adverse impacts on sustainability factors been taken into account?***

The "do no significant harm" methodology applied by the Investment Adviser on sustainable investments seeks to exclude investments that cause harm to any of the PAI indicators (listed below) which are mandatory for the Investment Adviser to consider under the EU SFDR rules, and which are relevant to the investment.

PAI indicators:

**Investee companies**

1. GHG emissions
2. Carbon Footprint
3. GHG intensity of investee companies
4. Exposure to companies active in the fossil sector
5. Share of non-renewable energy consumption and production
6. Energy consumption intensity per high impact climate sector
7. Activities negatively affecting biodiversity sensitive areas
8. Emissions to water
9. Hazardous waste ratio
10. Violations of UN Global Compact and OECD
11. Lack of processes and compliance mechanisms to monitor compliance with the UNGC and OECD
12. Unadjusted gender pay gap
13. Board gender diversity
14. Exposure to controversial weapons

The Investment Adviser has determined specific metrics and quantitative thresholds for what constitutes significant harm to screen PAI indicators that are relevant to the investment, using third-party data. The thresholds are set: (i) on an absolute value basis; (ii) on a relative basis in the context of the investment universe; or (iii) using pass/fail scores. Different metrics or thresholds may apply to issuers located in developed markets and in emerging markets, respectively. This is intended to reflect the different extent to which the Investment Adviser deems that meeting minimum sustainability standards in these markets is currently achievable. In addition, different relative thresholds may apply to similar indicators: for

example, the Investment Adviser currently applies a lower threshold to determine significant adverse impact with respect to scope 3 emissions intensity as compared to scope 1 and 2 emissions intensity. This is because: (i) companies have less control over their indirect emissions; and (ii) data estimates for scope 3 emissions, which currently prevail over reported data compared to scope 1 and 2 emissions, may result in a less accurate PAI assessment.

The Investment Adviser may use reasonable proxy indicators sourced from third parties to address the current lack of data for certain PAI indicators. The Investment Adviser's use of proxy indicators will be kept under review and will be replaced by PAI data from third-party data providers, when the Investment Adviser determines that sufficiently reliable data has become available.

The Investment Adviser generally conducts the PAI assessment at the issuer level. However, where appropriate the assessment may be done at the security level in whole or in part. For instance, in the case of Sustainable Bonds, as defined above, the PAI indicators that are directly related to the sustainability factors targeted by the bond's use of proceeds will be assessed at the security level, through the Investment Adviser's proprietary Sustainable Bond Evaluation Framework. As an example, the Fund may invest in a Green Bond issued by a utility company that has a negative assessment of the PAI indicators related to GHG emissions and/or GHG intensity, as long as the Investment Adviser evaluates that the issuer has a credible strategy to reduce its GHG emissions, and that the Green Bond specifically contributes towards such goal. Other PAI indicators that are unrelated to the Sustainable Bond's use of proceeds are still assessed at the issuer level.

The Fund's PAI assessment is supported, on a qualitative basis, by the Investment Adviser's engagement with selected issuers on their corporate governance practices, as well as on other material sustainability issues related to the SDGs, in line with the Investment Adviser's Fixed Income Engagement Strategy, available on [www.morganstanley.com/im](http://www.morganstanley.com/im).

– *How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:*

The Fund's sustainable investments exclude issuers which have experienced very severe controversies that are deemed to violate the UN Global Compact, the UN Guiding Principles on Business and Human Rights, or the ILO Fundamental Principles, and issuers with very severe controversies related to violations of the OECD Guidelines for Multinational Enterprises. This screening is done using third-party data.

*The EU Taxonomy sets out a “do not significant harm” principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.*

*The “do no significant harm” principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.*

*Any other sustainable investments must also not significantly harm any environmental or social objectives.*

Regulation requires that this document include these statements. However, for the avoidance of doubt, this Fund does not: (i) take into account the EU criteria for environmentally sustainable economic activities in the EU Taxonomy; or (ii) calculate its portfolio alignment with the EU Taxonomy. As such, the Fund is 0% aligned with the EU Taxonomy. The “do no significant harm” principle applies only to the portion of the Fund's investments that are sustainable investments.



## Does this financial product consider principal adverse impacts on sustainability factors?

- Yes  
 No

The Fund considers all of the mandatory PAI on sustainability factors which are relevant to the investment for the portion allocated to sustainable investments, as described above in response to the question, “How have the indicators for adverse impacts on sustainability factors been taken into account?”

The portion of the Fund that is not made of sustainable investments considers the PAI only in part through the Fund’s exclusionary criteria, as follows:

- The Fund excludes issuers which derive any revenue from thermal coal mining and extraction. The Fund therefore partly considers the PAI indicator 4: exposure to companies active in the fossil fuel sector.
- The Fund excludes issuers which derive any revenue from controversial weapons manufacturing or retail. The Fund therefore considers in whole the PAI indicator 14: exposure to controversial weapons.

The Fund will make information available on how it has incorporated the PAIs into the Fund in its periodic reports to investors.



## What investment strategy does this financial product follow?

**The investment strategy** guides investment decisions based on factors such as investment objectives and risk tolerance.

The Fund seeks to maximize total return, measured in US Dollars, primarily through investments across the credit spectrum of Fixed Income Securities of corporate issuers, together with investing in Fixed Income Securities of government and government related issuers located in each case in Emerging Markets countries. . The Fund seeks to reduce exposure to sustainability risks through exclusionary screening of selected fossil fuels and of activities which can cause dangers to human health and wellbeing.

In addition to the ESG considerations described in this summary on a binding basis, the Fund integrates ESG considerations in the investment decision-making process to support its environmental and social characteristics on a non-binding basis, based on the Investment Adviser’s in-house research and methodologies and on third-party data.

The investment process is subject to regular review, as part of a control and monitoring framework implemented by the Investment Adviser. The Investment Adviser’s Compliance, Risk and Portfolio Surveillance teams collaborate with the investment team to conduct regular portfolio/performance reviews and systemic checks to ensure compliance with portfolio investment objectives and environmental and social characteristics, taking into account changing market conditions, information and strategy developments.

● **What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?**

The binding elements of the investment strategy are described in the table below.

The criteria are implemented and monitored by the Investment Adviser using a combination of third-party data and in-house research.

<b>Binding criteria</b>	
<p><b>The Fund will not invest in corporate issuers which:</b></p>	<p><b><u>Derive any revenue from any of the following activities:</u></b></p> <ul style="list-style-type: none"> <li>• Controversial weapons manufacturing or retail (anti-personnel landmines, cluster munitions, biological or chemical weapons, and nuclear weapons);</li> <li>• Civilian firearms manufacturing or retail;</li> <li>• Tobacco manufacturing; or</li> </ul> <p><b><u>Derive more than 5% revenue from any of the following activities:</u></b></p> <ul style="list-style-type: none"> <li>• Thermal coal mining and extraction. The Fund may, as an exception, invest in labelled Sustainable Bonds issued by fossil fuel companies, which are intended to raise proceeds specifically for projects that promote positive environmental contributions mitigating the adverse sustainability impact of coal, such as renewable energy or energy efficiency, based on information available in the bond issuance documentation.</li> </ul>
<p><b>Sustainable investments</b></p>	<p>The Fund will maintain a minimum of 10% of sustainable investments, which meet the criteria as set out in response to the question, <i>“What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?”</i></p>

The Investment Adviser may decide to implement additional restrictions to the Fund, and such new restrictions will be disclosed in the Fund’s SFDR Website Disclosure.

**Good governance** practices include sound management structures, employee relations, remuneration of staff and tax compliance.

● **What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?**

The Fund does not target a specific reduction rate of the scope of investments.



● **What is the policy to assess good governance practices of the investee companies?**

As part of its bottom-up, fundamental research process, the Investment Adviser systematically incorporates the assessment of an issuer’s corporate governance and business practices, including but not limited to evidence of sound management structures and employee relations, fair remuneration of staff, and tax compliance, in order to ensure that every investee company follows good governance practices.

This is done through the monitoring of data on governance-related, as well as on other environmental and/or social factors and controversies, sourced from third party providers, through in-house research, and through engagement with the management of selected issuers on corporate governance and disclosure issues.

In addition, the Fund’s sustainable investments exclude any company that is involved in very severe governance-related controversies.

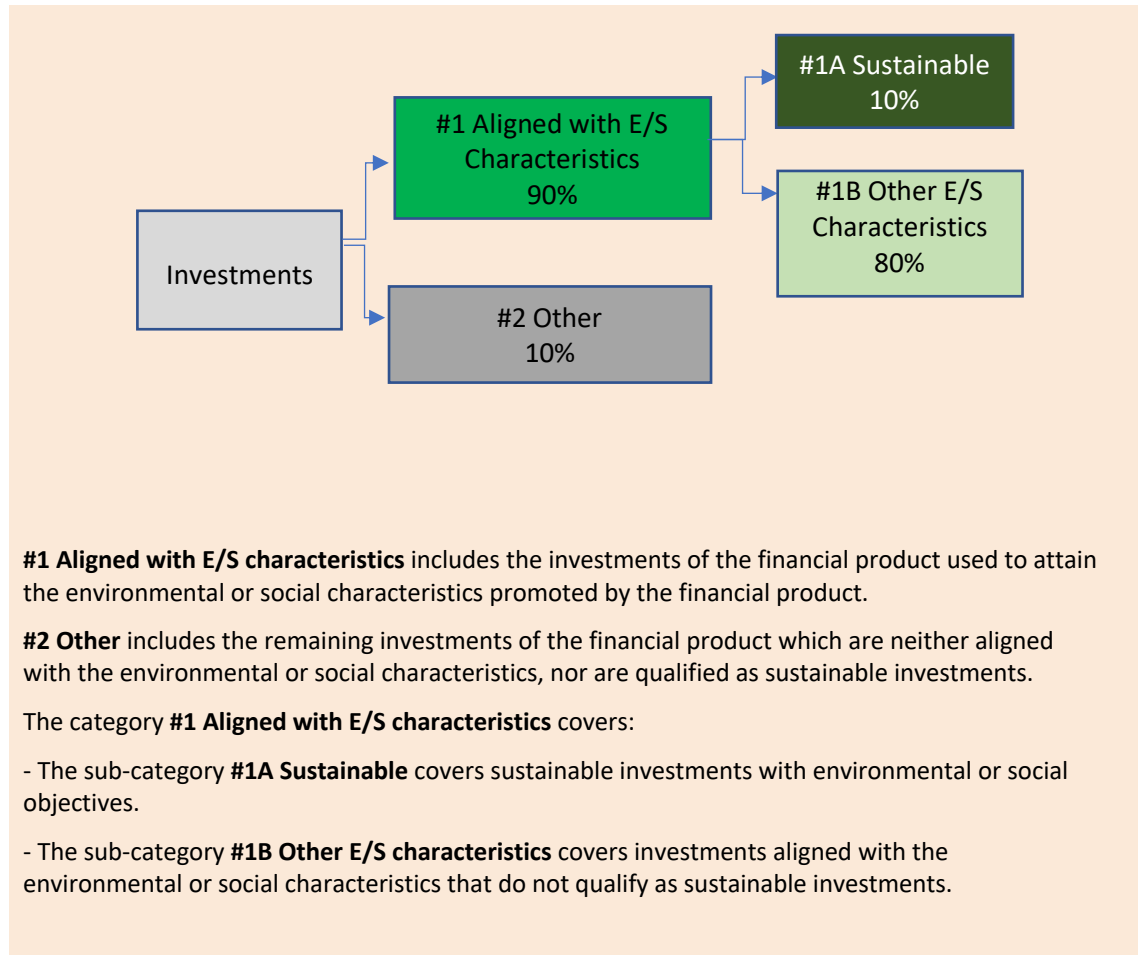


**Asset allocation** describes the share of investments in specific assets.

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure (CapEx)** showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure (OpEx)** reflecting green operational activities of investee companies.

**What is the asset allocation planned for this financial product?**



**#1 Aligned with E/S characteristics** includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

**#2 Other** includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

The category **#1 Aligned with E/S characteristics** covers:

- The sub-category **#1A Sustainable** covers sustainable investments with environmental or social objectives.
- The sub-category **#1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.

The exclusions (as described above) will be applied to at least 90% of the portfolio, of which the Fund also expects to allocate a minimum of 10% of its assets to sustainable investments. Among these sustainable investments, the Fund commits to make a minimum of 1% of sustainable investments with an environmental objective and 1% of sustainable investments with a social objective which can both vary independently at any time.

A maximum of 10% of the Fund’s assets may be invested in hedging and/or cash instruments for efficient portfolio management purposes, which do not align with any environmental or social characteristics.

These percentages are measured according to the value of the investments.

● **How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?**

Derivatives may be used by the Fund for investment or efficient portfolio management (including hedging) purposes only. These instruments are not used to attain the environmental or social characteristics of the Fund.



**To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?**

Not applicable – the Investment Adviser does not take account of the EU Taxonomy in its management of the Fund and as such the Fund’s sustainable investments do not take into account the criteria for environmentally sustainable economic activities under the EU Taxonomy.

● **Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy<sup>1</sup>?**

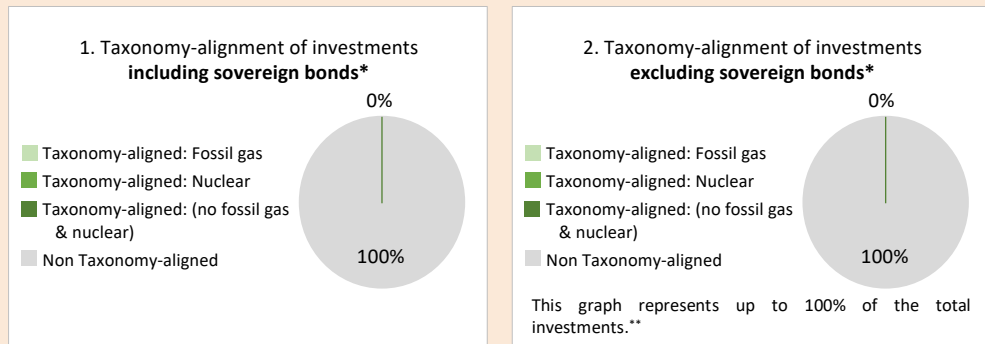
- Yes:
  - In fossil gas
  - In nuclear energy
- No

To comply with EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

**Transitional activities** are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

*The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.*



\* For the purpose of these graphs, ‘sovereign bonds’ consist of all sovereign exposures.  
 \*\*The proportion of total investments shown in this graph is purely indicative and may vary over time. As the Fund does not commit to making sustainable investments aligned with the EU Taxonomy, the proportion of any sovereign exposure in the Fund’s portfolio will not impact the proportion of sustainable investments aligned with the EU Taxonomy included in the graph.

<sup>1</sup> Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change (“climate change mitigation”) and do not significantly harm any EU Taxonomy objective – see explanatory note in the left-hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

● **What is the minimum share of investments in transitional and enabling activities?**

Not applicable - Although the Fund commits to invest in sustainable investments within the meaning of the SFDR, there is no commitment to a minimum share of investments in transitional and enabling activities.



**What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?**

The Fund intends to make a minimum of 10% sustainable investments, as defined under the SFDR, with a combination of environmental and social objectives, as described above. Among these, the Fund commits to make a minimum of 1% of sustainable investments with an environmental objective and 1% of sustainable investments with a social objective which can both vary independently at any time. These sustainable investments will represent at least 10% of the portfolio holdings on an aggregated basis. The Fund's sustainable investments with an environmental objective **do not take into account the criteria** for environmentally sustainable economic activities under the EU Taxonomy.

Although some of these sustainable investments may be Taxonomy aligned, due to lack of available data regarding the Taxonomy alignment of the underlying securities, the Investment Adviser has not been able to confirm whether these investments are in fact Taxonomy aligned and accordingly will not consider them as such in calculations until this data is reported on or otherwise becomes more reliable. As such, the Investment Adviser uses its own methodology to determine whether certain investments are sustainable in accordance with the SFDR sustainable investment definition, and then invests in such assets for the Fund.



are sustainable investments with an environmental objective that **do not take into account** the criteria for environmentally sustainable economic activities under the EU Taxonomy.



**What is the minimum share of socially sustainable investments?**

As explained above, the Fund may make sustainable investments which contribute to either environmental or social objectives. Among these, the Fund commits to make a minimum of 1% of sustainable investments with an environmental objective and 1% of sustainable investments with a social objective which can both vary independently at any time. These sustainable investments will represent at least 10% of the portfolio holdings on an aggregated basis.



**What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?**

The Fund may have investments in hedging instruments for efficient portfolio management and in cash as ancillary liquidity. These instruments are included in the “#2 Other” category and are not subject to environmental and/or social screening or any minimum environmental or social safeguards.



**Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?**

Not applicable

**Reference benchmarks** are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.



## Where can I find more product specific information online?

More product-specific information can be found on the website:

[https://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite\\_msinvf\\_emergingmarketscorporatedebt\\_en.pdf](https://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite_msinvf_emergingmarketscorporatedebt_en.pdf)

Pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852

Product name:

Emerging Markets Debt Fund

Legal entity identifier:

LTF85HOHIJ7QD9N5L226

## Environmental and/or social characteristics

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**.

That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

### Does this financial product have a sustainable investment objective?

Yes

It will make a minimum of **sustainable investments with an environmental objective: \_\_\_%**

- in economic activities that qualify as environmentally sustainable under the EU Taxonomy
- in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

It will make a minimum of **sustainable investments with a social objective: \_\_\_%**

No

It **promotes Environmental/Social (E/S) characteristics** and while it does not have as its objective a sustainable investment, it will have a minimum proportion of \_\_\_% of sustainable investments

- with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy
- with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy
- with a social objective

It promotes E/S characteristics, but **will not make any sustainable investments**



## What environmental and/or social characteristics are promoted by this financial product?

The Fund promotes the social characteristic of avoiding investments in sovereign issuers that significantly violate social rights and in investments which can cause harm to human health and wellbeing. In addition, the Fund promotes the environmental characteristic of climate change mitigation by avoiding investments where thermal coal mining and extraction represents a certain percentage of a company's revenue.

Further detail on the nature of these exclusions is set out below (in response to the question, "*What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?*").

The Fund has not designated a reference benchmark for the purposes of attaining its environmental or social characteristics.

**Sustainability indicators** measure how the environmental or social characteristics promoted by the financial product are attained.

- ***What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?***

The sustainability indicator used to measure the attainment of the Fund's environmental and social characteristics is the Fund's exposure, in percentage market value, to countries or companies that violate any of the exclusion criteria.

Additional details on the Fund's exclusions criteria and methodology are provided below in response to the question, "*What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?*"

- ***What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?***

Not applicable

- ***How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?***

Not applicable

- *How have the indicators for adverse impacts on sustainability factors been taken into account?*

Not applicable

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

- *How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:*

Not applicable

*The EU Taxonomy sets out a “do not significant harm” principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.*

*The “do no significant harm” principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.*

*Any other sustainable investments must also not significantly harm any environmental or social objectives.*

*Regulation requires that this document include these statements. However, for the avoidance of doubt, this Fund does not: (i) take into account the EU criteria for environmentally sustainable economic activities in the EU Taxonomy; or (ii) calculate its portfolio alignment with the EU Taxonomy. As such, the Fund is 0% aligned with the EU Taxonomy. The “do no significant harm” principle applies only to the portion of the Fund’s investments that are sustainable investments.*



### Does this financial product consider principal adverse impacts on sustainability factors?

Yes

No

The Fund considers PAIs only in part through its exclusionary criteria, as follows:

- The Fund excludes any sovereign issuers where there is evidence of them having caused significant harm from social violations, which the Investment Adviser defines in relation to the bottom-10% ranked countries on an indicator reflecting the fulfilment of social rights, as further explained below in response to the question, “*What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?*”. The Fund therefore considers in part the PAI indicator 16: investee countries subject to social violations.
- The Fund excludes issuers which derive a certain percentage of revenue from thermal coal mining and extraction. The Fund therefore partly considers the PAI indicator 4: exposure to companies active in the fossil fuel sector.
- The Fund excludes issuers which derive any revenue from controversial weapons manufacturing or retail. The Fund therefore considers in whole the PAI indicator 14: exposure to controversial weapons.

The Fund does not consider any other PAI indicators.

The Fund will make information available on how it has incorporated the PAIs into the Fund in its periodic reports to investors.



**The investment strategy** guides investment decisions based on factors such as investment objectives and risk tolerance.

## What investment strategy does this financial product follow?

The Fund seeks 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 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, organised under the laws of, or which have a principal office in, Emerging Market countries.

As part of its investment strategy, the Fund aims at reducing exposure to sustainability risks through exclusionary screening of sovereign issuers that significantly violate social rights, as well as, for corporate issuers, of selected fossil fuels and activities which can cause dangers to human health and wellbeing.

In addition to the ESG considerations described in this document on a binding basis, the Fund integrates ESG considerations in the investment decision-making to support its environmental and social characteristics on a non-binding basis, based on the Investment Adviser’s in-house research and methodologies and on third-party data.

The investment process is subject to regular review, as part of a control and monitoring framework implemented by the Investment Adviser. The Investment Adviser’s Compliance, Risk and Portfolio Surveillance teams collaborate with the investment team to conduct regular portfolio/performance reviews and systemic checks to ensure compliance with portfolio investment objectives, investment and client guidelines, taking into account changing market conditions, information and strategy developments.

● **What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?**

The binding elements of the investment strategy consist of the exclusionary screening criteria applied to the portfolio construction process, as described in the table below.

The criteria are implemented and monitored by the Investment Adviser using a combination of third-party data and in-house research.

Binding criteria	
<p><b>The Fund will not invest in sovereign issuers which:</b></p>	<p>Are in the bottom-10% ranked countries for social violations, based on the Investment Adviser’s custom indicator.</p> <p>The social violations custom indicator is calculated by the Investment Adviser taking into consideration a country’s performance on issues including, but not limited to, the application of human rights and civil liberties, the quality of contract enforcement and security, freedom of expression, association and free media, as assessed by underlying data from third parties.</p> <p>Investments that are held by the Fund but become restricted because they breach the investment exclusions set out above, after they are acquired for the Fund, will be sold. Such sales will take place over a period of time to be determined by the Investment Adviser, taking into account the best interests of the shareholders of the Fund.</p> <p>In addition, any investments in sovereign issuers exhibiting positive momentum with respect to such violations shall not be subject to the purchase restriction. For example, if a country is in the process of making significant remediation efforts, such as through electoral or policy reforms and engagement with civil society, with regard to any social violations, the Investment Adviser may not exclude the</p>



	investment from the Fund, provided this assessment is kept under review by the Investment Adviser.
<b>The Fund will not invest in corporate issuers which:</b>	<p><b>Derive any revenue from any of the following activities:</b></p> <ul style="list-style-type: none"> <li>• Controversial weapons manufacturing or retail (anti-personnel landmines, cluster munitions, biological or chemical weapons, and nuclear weapons);</li> <li>• Civilian firearms manufacturing or retail;</li> <li>• Tobacco manufacturing; or</li> </ul> <p><b>Derive more than 5% revenue from any of the following activities:</b></p> <ul style="list-style-type: none"> <li>• Thermal coal mining and extraction. The Fund may, as an exception, invest in labelled Sustainable Bonds issued by fossil fuel companies, which are intended to raise proceeds specifically for projects that promote positive environmental contributions mitigating the adverse sustainability impact of coal, such as renewable energy or energy efficiency, based on information available in the bond issuance documentation.</li> </ul>

The Investment Adviser may decide to implement additional restrictions to the Fund, and such new restrictions will be disclosed in the Fund's SFDR Website Disclosure.

**Good governance** practices include sound management structures, employee relations, remuneration of staff and tax compliance.

● ***What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?***

No minimum reduction rate has been defined in relation to the Fund's scope of investments. However, the Investment Adviser anticipates that the application of the exclusions described above will reduce the scope of the Fund's investments by approximately 10%. This is measured in terms of number of countries in the sovereign investment universe.

● ***What is the policy to assess good governance practices of the investee companies?***

As part of its bottom-up, fundamental research process, the Investment Adviser systematically incorporates the assessment of an issuer's corporate governance and business practices, including but not limited to evidence of sound management structures and employee relations, fair remuneration of staff, and tax compliance, in order to ensure that every investee company follows good governance practices.

This is done through the monitoring of data on governance-related, as well as on other environmental and/or social factors and controversies, sourced from third party providers, through in-house research, and through engagement with the management of selected issuers on corporate governance and disclosure issues.

In the interests of transparency, given the Fund's primary investment focus is on sovereign bonds, the Investment Adviser notes that it also assesses investee sovereign issuers' government effectiveness, political stability, control of corruption, and regulatory quality, among other factors.



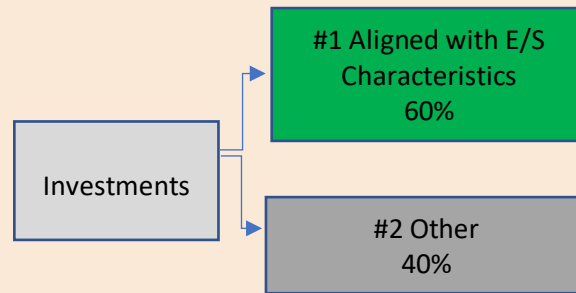
### Asset allocation

describes the share of investments in specific assets.

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.

## What is the asset allocation planned for this financial product?



**#1 Aligned with E/S characteristics** includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

**#2 Other** includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

The exclusions (as described above) will be applied to at least 60% of the portfolio. A maximum of 40% of the Fund may be invested in assets that do not align with any environmental or social characteristics, as described in the response to question, “5.5 What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards” further below.

As explained above, any investments that are held by the Fund but become restricted because they breach the investment exclusions set out above, after they are acquired for the Fund, will be sold. Such sales will take place over a period of time to be determined by the Investment Adviser, taking into account the best interests of the shareholders of the Fund. Such investments are included in the “#2 Other” category.

These percentages are measured according to the value of the investments.

### ● **How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?**

Derivatives may be used by the Fund for investment or efficient portfolio management (including hedging) purposes. These instruments are not used to attain the environmental or social characteristics of the Fund.



## To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

Not applicable

### ● Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy<sup>1</sup>?

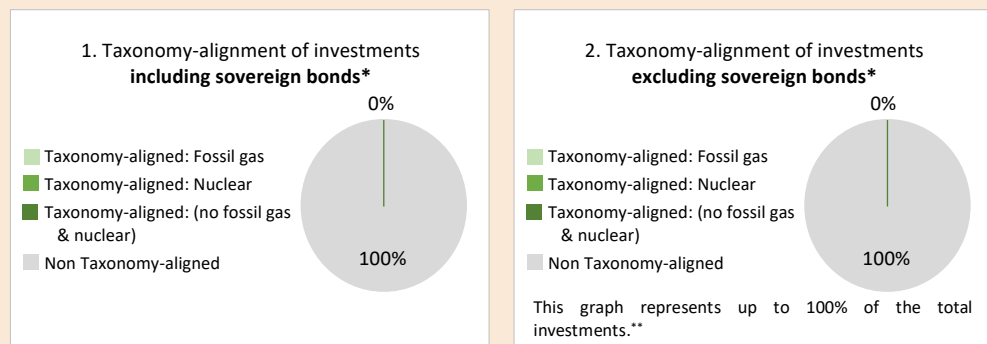
- Yes:  
 In fossil gas     In nuclear energy  
 No

To comply with EU Taxonomy, the criteria for **fossil gas** include limitations on emission and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

**Transitional activities** are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

*The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.*



\* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures.

\*\*The proportion of total investments shown in this graph is purely indicative and may vary over time. As the Fund does not commit to making sustainable investments aligned with the EU Taxonomy, the proportion of any sovereign exposure in the Fund's portfolio will not impact the proportion of sustainable investments aligned with the EU Taxonomy included in the graph.

<sup>1</sup> Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objective – see explanatory note in the left-hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

- ***What is the minimum share of investments in transitional and enabling activities?***

Not applicable



### What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?

Not applicable



are sustainable investments with an environmental objective that **do not take into account** the criteria for environmentally sustainable economic activities under the EU Taxonomy.



### What is the minimum share of socially sustainable investments?

Not applicable



### What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?

The Fund may have investments in hedging instruments for efficient portfolio management and in cash as ancillary liquidity. These instruments are included in the “#2 Other” category and are not subject to environmental and/or social screening or any minimum environmental or social safeguards.

The Fund aims, nevertheless, not to invest in derivatives associated with underlying assets, currencies, or interest rates related to countries that would otherwise be subject to the social violations exclusion described under the binding characteristics of the Fund.



### Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?

Not applicable

**Reference benchmarks** are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.



## Where can I find more product specific information online?

More product-specific information can be found on the website:

[https://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite\\_msinvf\\_emergingmarketsdebt\\_en.pdf](https://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite_msinvf_emergingmarketsdebt_en.pdf)

**Pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852**

**Product name:**  
Emerging Markets Debt Opportunities Fund

**Legal entity identifier:**  
(Fund to be launched)

## Environmental and/or social characteristics

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**.

That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

**Does this financial product have a sustainable investment objective?**

<p><input checked="" type="radio"/> <input type="radio"/> <b>Yes</b></p> <p><input type="checkbox"/> It will make a minimum of <b>sustainable investments with an environmental objective: ___%</b></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> </ul> <p><input type="checkbox"/> It will make a minimum of <b>sustainable investments with a social objective: ___%</b></p>	<p><input checked="" type="radio"/> <input type="radio"/> <b>No</b></p> <p><input type="checkbox"/> It <b>promotes Environmental/Social (E/S) characteristics</b> and while it does not have as its objective a sustainable investment, it will have a minimum proportion of ___% of sustainable investments</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> with a social objective</li> </ul> <p><input checked="" type="checkbox"/> It promotes E/S characteristics, but <b>will not make any sustainable investments</b></p>
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## What environmental and/or social characteristics are promoted by this financial product?

The Fund promotes the social characteristic of avoiding investments in sovereign issuers that significantly violate social rights and in investments which can cause harm to human health and wellbeing. In addition, the Fund promotes the environmental characteristic of climate change mitigation by avoiding investments where thermal coal mining and extraction represents a certain percentage of a company's revenue.

Further detail on the nature of these exclusions is set out below (in response to the question, "What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?").

The Fund has not designated a reference benchmark for the purposes of attaining its environmental or social characteristics.

**Sustainability indicators** measure how the environmental or social characteristics promoted by the financial product are attained.

- **What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?**

The sustainability indicator used to measure the attainment of the Fund's environmental and social characteristics is the Fund's exposure, in percentage market value, to countries or companies that violate any of the exclusion criteria.

Additional details on the Fund's exclusions criteria and methodology are provided below in response to the question, "What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?"

- **What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?**

Not applicable

- **How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?**

Not applicable

- **How have the indicators for adverse impacts on sustainability factors been taken into account?**

Not applicable

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.



- *How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:*

Not applicable

*The EU Taxonomy sets out a “do not significant harm” principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.*

*The “do no significant harm” principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.*

*Any other sustainable investments must also not significantly harm any environmental or social objectives.*

*Regulation requires that this document include these statements. However, for the avoidance of doubt, this Fund does not: (i) take into account the EU criteria for environmentally sustainable economic activities in the EU Taxonomy; or (ii) calculate its portfolio alignment with the EU Taxonomy. As such, the Fund is 0% aligned with the EU Taxonomy. The “do no significant harm” principle applies only to the portion of the Fund’s investments that are sustainable investments.*



### Does this financial product consider principal adverse impacts on sustainability factors?

- Yes  
 No

The Fund considers PAIs only in part through its exclusionary criteria, as follows:

- The Fund excludes any sovereign issuers where there is evidence of them having caused significant harm from social violations, which the Investment Adviser defines in relation to the bottom-10% ranked countries on an indicator reflecting the fulfilment of social rights, as further explained below in response to the question, “*What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?*”. The Fund therefore considers in part the PAI indicator 16: investee countries subject to social violations.
- The Fund excludes issuers which derive a certain percentage of revenue from thermal coal mining and extraction. The Fund therefore partly considers the PAI indicator 4: exposure to companies active in the fossil fuel sector.
- The Fund excludes issuers which derive any revenue from controversial weapons manufacturing or retail. The Fund therefore considers in whole the PAI indicator 14: exposure to controversial weapons.

The Fund does not consider any other PAI indicators.

The Fund will make information available on how it has incorporated the PAIs into the Fund in its periodic reports to investors.



**The investment strategy** guides investment decisions based on factors such as investment objectives and risk tolerance.

## What investment strategy does this financial product follow?

The Fund’s investment objective is generate total return, which is defined as income plus capital appreciation, by establishing long and short investment exposures to a blended Emerging Markets debt pool through currencies, local interest rates, and sovereign and corporate credit, while investing primarily in (i) Fixed Income Securities of corporate, government and government-related issuers Located in Emerging Market countries; and/or (ii) derivative instruments denominated in or based on the currencies, interest rates, or issuers of Emerging Market countries. Fixed Income Securities may include zero coupon bonds, preferred stocks, deferred interest bonds and notes and bonds and notes on which the interest is payable in the form of additional eligible stocks, bonds or notes of the same kind (Payment-in-Kind (PIK) securities).

As part of its investment strategy, the Fund aims at reducing exposure to sustainability risks through exclusionary screening of sovereign issuers that significantly violate social rights, as well as, for corporate issuers, of selected fossil fuels and activities which can cause dangers to human health and wellbeing.

In addition to the ESG considerations described in this document on a binding basis, the Fund integrates ESG considerations in the investment decision-making to support its environmental and social characteristics on a non-binding basis, based on the Investment Adviser’s in-house research and methodologies and on third-party data.

The investment process is subject to regular review, as part of a control and monitoring framework implemented by the Investment Adviser. The Investment Adviser’s Compliance, Risk and Portfolio Surveillance teams collaborate with the investment team to conduct regular portfolio/performance reviews and systemic checks to ensure compliance with portfolio investment objectives, investment and client guidelines, taking into account changing market conditions, information and strategy developments.

● **What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?**

The binding elements of the investment strategy consist of the exclusionary screening criteria applied to the portfolio construction process, as described in the table below.

The criteria are implemented and monitored by the Investment Adviser using a combination of third-party data and in-house research.

Binding criteria	
<b>The Fund will not invest in sovereign issuers which:</b>	<p>Are in the bottom-10% ranked countries for social violations, based on the Investment Adviser’s custom indicator.</p> <p>The social violations custom indicator is calculated by the Investment Adviser taking into consideration a country’s performance on issues including, but not limited to, the application of human rights and civil liberties, the quality of contract enforcement and security, freedom of expression, association and free media, as assessed by underlying data from third parties.</p> <p>Investments that are held by the Fund but become restricted because they breach the investment exclusions set out above, after they are acquired for the Fund, will be sold. Such sales will take place over a period of time to be determined by the Investment Adviser, taking into account the best interests of the shareholders of the Fund.</p>

	In addition, any investments in sovereign issuers exhibiting positive momentum with respect to such violations shall not be subject to the purchase restriction. For example, if a country is in the process of making significant remediation efforts, such as through electoral or policy reforms and engagement with civil society, with regard to any social violations, the Investment Adviser may not exclude the investment from the Fund, provided this assessment is kept under review by the Investment Adviser.
<b>The Fund will not invest in corporate issuers which:</b>	<p><b>Derive any revenue from any of the following activities:</b></p> <ul style="list-style-type: none"> <li>• Controversial weapons manufacturing or retail (anti-personnel landmines, cluster munitions, biological or chemical weapons, and nuclear weapons);</li> <li>• Civilian firearms manufacturing or retail;</li> <li>• Tobacco manufacturing; or</li> </ul> <p><b>Derive more than 5% revenue from any of the following activities:</b></p> <ul style="list-style-type: none"> <li>• Thermal coal mining and extraction. The Fund may, as an exception, invest in labelled Sustainable Bonds issued by fossil fuel companies, which are intended to raise proceeds specifically for projects that promote positive environmental contributions mitigating the adverse sustainability impact of coal, such as renewable energy or energy efficiency, based on information available in the bond issuance documentation.</li> </ul>

The Investment Adviser may decide to implement additional restrictions to the Fund, and such new restrictions will be disclosed in the Fund's SFDR Website Disclosure.

**Good governance** practices include sound management structures, employee relations, remuneration of staff and tax compliance.

● ***What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?***

No minimum reduction rate has been defined in relation to the Fund's scope of investments. However, the Investment Adviser anticipates that the application of the exclusions described above will reduce the scope of the Fund's investments by approximately 10%. This is measured in terms of number of countries in the sovereign investment universe.

● ***What is the policy to assess good governance practices of the investee companies?***

As part of its bottom-up, fundamental research process, the Investment Adviser systematically incorporates the assessment of an issuer's corporate governance and business practices, including but not limited to evidence of sound management structures and employee relations, fair remuneration of staff, and tax compliance, in order to ensure that every investee company follows good governance practices.

This is done through the monitoring of data on governance-related, as well as on other environmental and/or social factors and controversies, sourced from third party providers, through in-house research, and through engagement with the management of selected issuers on corporate governance and disclosure issues.

In the interests of transparency, given the Fund's primary investment focus is on sovereign bonds, the Investment Adviser notes that it also assesses investee sovereign issuers' government effectiveness, political stability, control of corruption, and regulatory quality, among other factors.



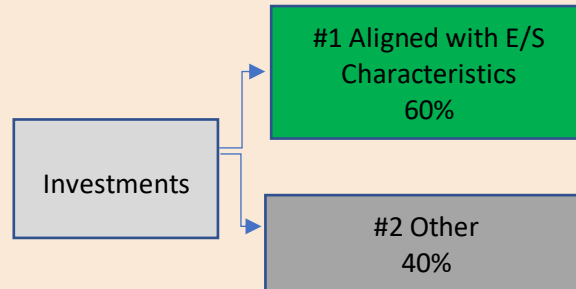
### Asset allocation

describes the share of investments in specific assets.

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.

## What is the asset allocation planned for this financial product?



**#1 Aligned with E/S characteristics** includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

**#2 Other** includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

The exclusions (as described above) will be applied to at least 60% of the portfolio. A maximum of 40% of the Fund may be invested in assets that do not align with any environmental or social characteristics, as described in the response to question, “5.5 What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards” further below.

As explained above, any investments that are held by the Fund but become restricted because they breach the investment exclusions set out above, after they are acquired for the Fund, will be sold. Such sales will take place over a period of time to be determined by the Investment Adviser, taking into account the best interests of the shareholders of the Fund. Such investments are included in the “#2 Other” category.

These percentages are measured according to the value of the investments.

### ● How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?

Derivatives may be used by the Fund for investment or efficient portfolio management (including hedging) purposes. These instruments are not used to attain the environmental or social characteristics of the Fund.



## To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

Not applicable

To comply with EU Taxonomy, the criteria for **fossil gas** include limitations on emission and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

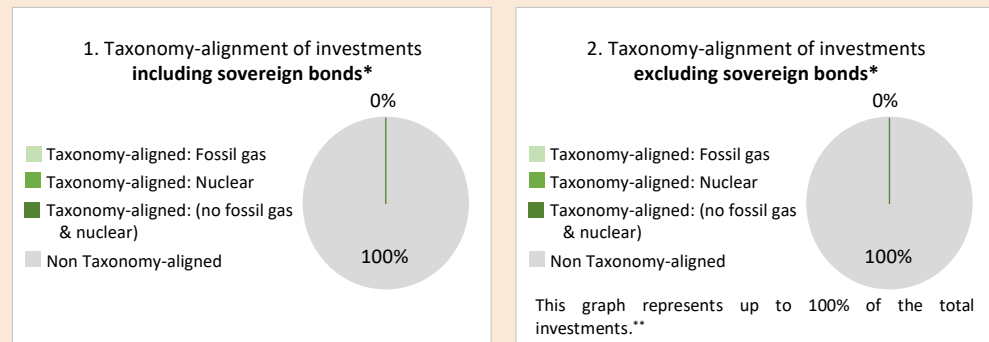
**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

**Transitional activities** are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

### Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy<sup>1</sup>?

- Yes:
- In fossil gas     In nuclear energy
- No

The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.



\* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures.

\*\*The proportion of total investments shown in this graph is purely indicative and may vary over time. As the Fund does not commit to making sustainable investments aligned with the EU Taxonomy, the proportion of any sovereign exposure in the Fund's portfolio will not impact the proportion of sustainable investments aligned with the EU Taxonomy included in the graph.

### What is the minimum share of investments in transitional and enabling activities?

Not applicable.

<sup>1</sup> Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objective – see explanatory note in the left-hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.



are sustainable investments with an environmental objective that **do not take into account** the criteria for environmentally sustainable economic activities under the EU Taxonomy.

### What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?

Not applicable



### What is the minimum share of socially sustainable investments?

Not applicable



### What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?

The Fund may invest in derivatives (including interest rate and foreign exchange derivatives) both for investment and for efficient portfolio management purposes, and in cash as ancillary liquidity. These instruments are included in the “#2 Other” category and are not subject to any minimum environmental or social safeguards.

The Fund aims, nevertheless, not to invest in derivatives associated with underlying assets, currencies, or interest rates related to countries that would otherwise be subject to the social violations exclusion described under the binding characteristics of the Fund.



**Reference benchmarks** are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.

### *Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?*

Not applicable



### Where can I find more product specific information online?

More product-specific information can be found on the website:

[https://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite\\_msinvf\\_emergingmarketsdebtopportunities\\_en.pdf](https://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite_msinvf_emergingmarketsdebtopportunities_en.pdf)

**Pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852**

**Product name:**  
Emerging Markets Domestic Debt Fund

**Legal entity identifier:**  
XJIRZ4JB5DNAES39H039

## Environmental and/or social characteristics

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**.

That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

**Does this financial product have a sustainable investment objective?**

<p><input checked="" type="radio"/> <input type="radio"/> <b>Yes</b></p> <p><input type="checkbox"/> It will make a minimum of <b>sustainable investments with an environmental objective: ___%</b></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> </ul> <p><input type="checkbox"/> It will make a minimum of <b>sustainable investments with a social objective: ___%</b></p>	<p><input checked="" type="radio"/> <input type="radio"/> <b>No</b></p> <p><input type="checkbox"/> It <b>promotes Environmental/Social (E/S) characteristics</b> and while it does not have as its objective a sustainable investment, it will have a minimum proportion of ___% of sustainable investments</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> with a social objective</li> </ul> <p><input checked="" type="checkbox"/> It promotes E/S characteristics, but <b>will not make any sustainable investments</b></p>
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## What environmental and/or social characteristics are promoted by this financial product?

The Fund promotes the social characteristic of avoiding investments in sovereign issuers that significantly violate social rights and in investments which can cause harm to human health and wellbeing. In addition, the Fund promotes the environmental characteristic of climate change mitigation by avoiding investments where thermal coal mining and extraction represents a certain percentage of a company's revenue.

Further detail on the nature of these exclusions is set out below (in response to the question, "What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?").

The Fund has not designated a reference benchmark for the purposes of attaining its environmental or social characteristics.

**Sustainability indicators** measure how the environmental or social characteristics promoted by the financial product are attained.

- **What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?**

The sustainability indicator used to measure the attainment of the Fund's environmental and social characteristics is the Fund's exposure, in percentage market value, to countries or companies that violate any of the exclusion criteria.

Additional details on the Fund's exclusions criteria and methodology are provided below in response to the question, "What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?"

- **What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?**

Not applicable

- **How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?**

Not applicable

- **How have the indicators for adverse impacts on sustainability factors been taken into account?**

Not applicable

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.



- *How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:*

Not applicable

*The EU Taxonomy sets out a “do not significant harm” principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.*

*The “do no significant harm” principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.*

*Any other sustainable investments must also not significantly harm any environmental or social objectives.*

*Regulation requires that this document include these statements. However, for the avoidance of doubt, this Fund does not: (i) take into account the EU criteria for environmentally sustainable economic activities in the EU Taxonomy; or (ii) calculate its portfolio alignment with the EU Taxonomy. As such, the Fund is 0% aligned with the EU Taxonomy. The “do no significant harm” principle applies only to the portion of the Fund’s investments that are sustainable investments.*



### Does this financial product consider principal adverse impacts on sustainability factors?

Yes

No

The Fund considers PAIs only in part through its exclusionary criteria, as follows:

- The Fund excludes any sovereign issuers where there is evidence of them having caused significant harm from social violations, which the Investment Adviser defines in relation to the bottom-10% ranked countries on an indicator reflecting the fulfilment of social rights, as further explained below in response to the question, “*What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?*”. The Fund therefore considers in part the PAI indicator 16: investee countries subject to social violations.
- The Fund excludes issuers which derive a certain percentage of revenue from thermal coal mining and extraction. The Fund therefore partly considers the PAI indicator 4: exposure to companies active in the fossil fuel sector.
- The Fund excludes issuers which derive any revenue from controversial weapons manufacturing or retail. The Fund therefore considers in whole the PAI indicator 14: exposure to controversial weapons.

The Fund does not consider any other PAI indicators.

The Fund will make information available on how it has incorporated the PAIs into the Fund in its periodic reports to investors.



**The investment strategy** guides investment decisions based on factors such as investment objectives and risk tolerance.

## What investment strategy does this financial product follow?

The 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 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.

As part of its investment strategy, the Fund aims at reducing exposure to sustainability risks through exclusionary screening of sovereign issuers that significantly violate social rights, as well as, for corporate issuers, of selected fossil fuels and activities which can cause dangers to human health and wellbeing.

In addition to the ESG considerations described in this document on a binding basis, the Fund integrates ESG considerations in the investment decision-making to support its environmental and social characteristics on a non-binding basis, based on the Investment Adviser's in-house research and methodologies and on third-party data.

The investment process is subject to regular review, as part of a control and monitoring framework implemented by the Investment Adviser. The Investment Adviser's Compliance, Risk and Portfolio Surveillance teams collaborate with the investment team to conduct regular portfolio/performance reviews and systemic checks to ensure compliance with portfolio investment objectives, investment and client guidelines, taking into account changing market conditions, information and strategy developments.

### ● **What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?**

The binding elements of the investment strategy consist of the exclusionary screening criteria applied to the portfolio construction process, as described in the table below.

The criteria are implemented and monitored by the Investment Adviser using a combination of third-party data and in-house research.

Binding criteria	
<p><b>The Fund will not invest in sovereign issuers which:</b></p>	<p>Are in the bottom-10% ranked countries for social violations, based on the Investment Adviser's custom indicator.</p> <p>The social violations custom indicator is calculated by the Investment Adviser taking into consideration a country's performance on issues including, but not limited to, the application of human rights and civil liberties, the quality of contract enforcement and security, freedom of expression, association and free media, as assessed by underlying data from third parties.</p> <p>Investments that are held by the Fund but become restricted because they breach the investment exclusions set out above, after they are acquired for the Fund, will be sold. Such sales will take place over a period of time to be determined by the Investment Adviser, taking into account the best interests of the shareholders of the Fund.</p> <p>In addition, any investments in sovereign issuers exhibiting positive momentum with respect to such violations shall not be subject to the purchase restriction. For example, if a country is in the process of making significant remediation efforts, such as through electoral or policy reforms and engagement with civil society, with regard to any social violations, the Investment Adviser may not exclude the investment from the Fund, provided this assessment is kept under review by the Investment Adviser.</p>

<p><b>The Fund will not invest in corporate issuers which:</b></p>	<p><b>Derive any revenue from any of the following activities:</b></p> <ul style="list-style-type: none"> <li>• Controversial weapons manufacturing or retail (anti-personnel landmines, cluster munitions, biological or chemical weapons, and nuclear weapons);</li> <li>• Civilian firearms manufacturing or retail;</li> <li>• Tobacco manufacturing; or</li> </ul> <p><b>Derive more than 5% revenue from any of the following activities:</b></p> <ul style="list-style-type: none"> <li>• Thermal coal mining and extraction. The Fund may, as an exception, invest in labelled Sustainable Bonds issued by fossil fuel companies, which are intended to raise proceeds specifically for projects that promote positive environmental contributions mitigating the adverse sustainability impact of coal, such as renewable energy or energy efficiency, based on information available in the bond issuance documentation.</li> </ul>
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The Investment Adviser may decide to implement additional restrictions to the Fund, and such new restrictions will be disclosed in the Fund's SFDR Website Disclosure.

**Good governance** practices include sound management structures, employee relations, remuneration of staff and tax compliance.

● ***What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?***

No minimum reduction rate has been defined in relation to the Fund's scope of investments. However, the Investment Adviser anticipates that the application of the exclusions described above will reduce the scope of the Fund's investments by approximately 10%. This is measured in terms of number of countries in the sovereign investment universe.

● ***What is the policy to assess good governance practices of the investee companies?***

As part of its bottom-up, fundamental research process, the Investment Adviser systematically incorporates the assessment of an issuer's corporate governance and business practices, including but not limited to evidence of sound management structures and employee relations, fair remuneration of staff, and tax compliance, in order to ensure that every investee company follows good governance practices.

This is done through the monitoring of data on governance-related, as well as on other environmental and/or social factors and controversies, sourced from third party providers, through in-house research, and through engagement with the management of selected issuers on corporate governance and disclosure issues.

In the interests of transparency, given the Fund's primary investment focus is on sovereign bonds, the Investment Adviser notes that it also assesses investee sovereign issuers' government effectiveness, political stability, control of corruption, and regulatory quality, among other factors.



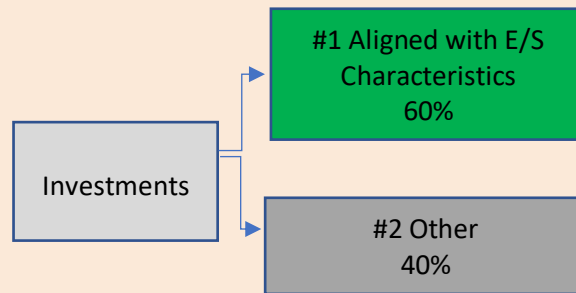
### Asset allocation

describes the share of investments in specific assets.

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.

## What is the asset allocation planned for this financial product?



**#1 Aligned with E/S characteristics** includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

**#2 Other** includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

The exclusions (as described above) will be applied to at least 60% of the portfolio. A maximum of 40% of the Fund may be invested in assets that do not align with any environmental or social characteristics, as described in the response to question, “5.5 What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards” further below.

As explained above, any investments that are held by the Fund but become restricted because they breach the investment exclusions set out above, after they are acquired for the Fund, will be sold. Such sales will take place over a period of time to be determined by the Investment Adviser, taking into account the best interests of the shareholders of the Fund. Such investments are included in the “#2 Other” category.

These percentages are measured according to the value of the investments.

### ● **How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?**

Derivatives may be used by the Fund for investment or efficient portfolio management (including hedging) purposes. These instruments are not used to attain the environmental or social characteristics of the Fund.



## To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

Not applicable

### ● Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy<sup>1</sup>?

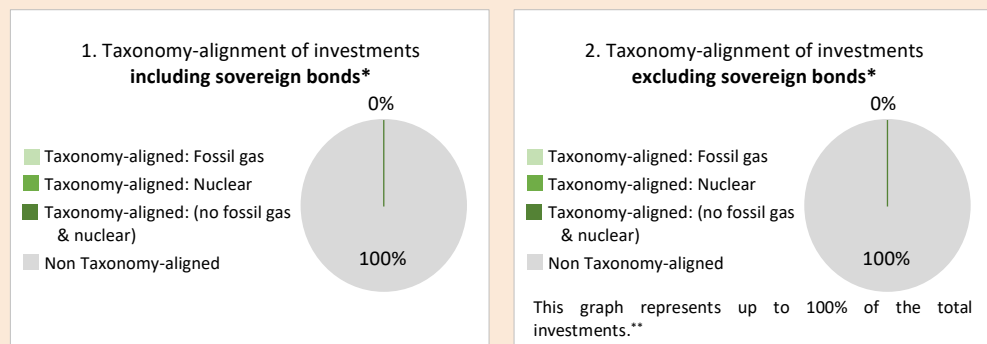
- Yes:  
 In fossil gas     In nuclear energy  
 No

To comply with EU Taxonomy, the criteria for **fossil gas** include limitations on emission and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

**Transitional activities** are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.



\* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures.

\*\*The proportion of total investments shown in this graph is purely indicative and may vary over time. As the Fund does not commit to making sustainable investments aligned with the EU Taxonomy, the proportion of any sovereign exposure in the Fund's portfolio will not impact the proportion of sustainable investments aligned with the EU Taxonomy included in the graph.

<sup>1</sup> Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objective – see explanatory note in the left-hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

- ***What is the minimum share of investments in transitional and enabling activities?***

Not applicable



are sustainable investments with an environmental objective that **do not take into account** the criteria for environmentally sustainable economic activities under the EU Taxonomy.

### What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?

Not applicable



### What is the minimum share of socially sustainable investments?

Not applicable



### What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?

The Fund may invest in derivatives (including interest rate and foreign exchange derivatives) both for investment and for efficient portfolio management purposes, and in cash as ancillary liquidity. These instruments are included in the “#2 Other” category and are not subject to any minimum environmental or social safeguards.

The Fund aims, nevertheless, not to invest in derivatives associated with underlying assets, currencies, or interest rates related to countries that would otherwise be subject to the social violations exclusion described under the binding characteristics of the Fund.



### **Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?**

Not applicable

**Reference benchmarks** are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.



### Where can I find more product specific information online?

More product-specific information can be found on the website:

[https://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite\\_msinvf\\_emergingmarketsdomesticdebt\\_en.pdf](https://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite_msinvf_emergingmarketsdomesticdebt_en.pdf)

**Pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852**

Product name:  
Emerging Markets Fixed Income Opportunities Fund

Legal entity identifier:  
549300Y6JEXZOOJBV556

## Environmental and/or social characteristics

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**.

That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

**Does this financial product have a sustainable investment objective?**

**Yes**

**No**

It will make a minimum of **sustainable investments with an environmental objective: \_\_\_%**

in economic activities that qualify as environmentally sustainable under the EU Taxonomy

in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

It will make a minimum of **sustainable investments with a social objective: \_\_\_%**

It **promotes Environmental/Social (E/S) characteristics** and while it does not have as its objective a sustainable investment, it will have a minimum proportion of \_\_\_% of sustainable investments

with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy

with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

with a social objective

It promotes E/S characteristics, but **will not make any sustainable investments**





## What environmental and/or social characteristics are promoted by this financial product?

The Fund promotes the social characteristic of avoiding investments in sovereign issuers that significantly violate social rights and in investments which can cause harm to human health and wellbeing. In addition, the Fund promotes the environmental characteristic of climate change mitigation by avoiding investments where thermal coal mining and extraction represents a certain percentage of a company's revenue.

Further detail on the nature of these exclusions is set out below (in response to the question, "What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?").

The Fund has not designated a reference benchmark for the purposes of attaining its environmental or social characteristics.

**Sustainability indicators** measure how the environmental or social characteristics promoted by the financial product are attained.

- **What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?**

The sustainability indicator used to measure the attainment of the Fund's environmental and social characteristics is the Fund's exposure, in percentage market value, to countries or companies that violate any of the exclusion criteria.

Additional details on the Fund's exclusions criteria and methodology are provided below in response to the question, "What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?"

- **What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?**

Not applicable

- **How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?**

Not applicable

- *How have the indicators for adverse impacts on sustainability factors been taken into account?*

Not applicable

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

- *How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:*

Not applicable

*The EU Taxonomy sets out a “do not significant harm” principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.*

*The “do no significant harm” principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.*

*Any other sustainable investments must also not significantly harm any environmental or social objectives.*

*Regulation requires that this document include these statements. However, for the avoidance of doubt, this Fund does not: (i) take into account the EU criteria for environmentally sustainable economic activities in the EU Taxonomy; or (ii) calculate its portfolio alignment with the EU Taxonomy. As such, the Fund is 0% aligned with the EU Taxonomy. The “do no significant harm” principle applies only to the portion of the Fund’s investments that are sustainable investments.*



### Does this financial product consider principal adverse impacts on sustainability factors?

Yes

No

The Fund considers PAIs only in part through its exclusionary criteria, as follows:

- The Fund excludes any sovereign issuers where there is evidence of them having caused significant harm from social violations, which the Investment Adviser defines in relation to the bottom-10% ranked countries on an indicator reflecting the fulfilment of social rights, as further explained below in response to the question, “*What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?*”. The Fund therefore considers in part the PAI indicator 16: investee countries subject to social violations.
- The Fund excludes issuers which derive a certain percentage of revenue from thermal coal mining and extraction. The Fund therefore partly considers the PAI indicator 4: exposure to companies active in the fossil fuel sector.
- The Fund excludes issuers which derive any revenue from controversial weapons manufacturing or retail. The Fund therefore considers in whole the PAI indicator 14: exposure to controversial weapons.

The Fund does not consider any other PAI indicators.

The Fund will make information available on how it has incorporated the PAIs into the Fund in its periodic reports to investors.



**The investment strategy** guides investment decisions based on factors such as investment objectives and risk tolerance.

## What investment strategy does this financial product follow?

The Fund's investment objective is to seek to maximise total return, measured in US Dollars, primarily through investment in the Fixed Income Securities of issuers located in Emerging Market Countries or issues denominated in the currencies of Emerging Market Countries. The Fund intends to invest its assets in Emerging Market countries' Fixed Income Securities that provide a high level of current income, while at the same time holding the potential for capital appreciation.

As part of its investment strategy, the Fund aims at reducing exposure to sustainability risks through exclusionary screening of sovereign issuers that significantly violate social rights, as well as, for corporate issuers, of selected fossil fuels and activities which can cause dangers to human health and wellbeing.

In addition to the ESG considerations described in this document on a binding basis, the Fund integrates ESG considerations in the investment decision-making to support its environmental and social characteristics on a non-binding basis, based on the Investment Adviser's in-house research and methodologies and on third-party data.

The investment process is subject to regular review, as part of a control and monitoring framework implemented by the Investment Adviser. The Investment Adviser's Compliance, Risk and Portfolio Surveillance teams collaborate with the investment team to conduct regular portfolio/performance reviews and systemic checks to ensure compliance with portfolio investment objectives, investment and client guidelines, taking into account changing market conditions, information and strategy developments.

### ● **What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?**

The binding elements of the investment strategy consist of the exclusionary screening criteria applied to the portfolio construction process, as described in the table below.

The criteria are implemented and monitored by the Investment Adviser using a combination of third-party data and in-house research.

Binding criteria	
<p><b>The Fund will not invest in sovereign issuers which:</b></p>	<p>Are in the bottom-10% ranked countries for social violations, based on the Investment Adviser's custom indicator.</p> <p>The social violations custom indicator is calculated by the Investment Adviser taking into consideration a country's performance on issues including, but not limited to, the application of human rights and civil liberties, the quality of contract enforcement and security, freedom of expression, association and free media, as assessed by underlying data from third parties.</p> <p>Investments that are held by the Fund but become restricted because they breach the investment exclusions set out above, after they are acquired for the Fund, will be sold. Such sales will take place over a period of time to be determined by the Investment Adviser, taking into account the best interests of the shareholders of the Fund.</p> <p>In addition, any investments in sovereign issuers exhibiting positive momentum with respect to such violations shall not be subject to the purchase restriction. For example, if a country is in the process of making significant remediation efforts, such as through electoral or policy reforms and engagement with civil society, with regard to any social violations, the Investment Adviser may not exclude the</p>

	investment from the Fund, provided this assessment is kept under review by the Investment Adviser.
<b>The Fund will not invest in corporate issuers which:</b>	<p><b>Derive any revenue from any of the following activities:</b></p> <ul style="list-style-type: none"> <li>• Controversial weapons manufacturing or retail (anti-personnel landmines, cluster munitions, biological or chemical weapons, and nuclear weapons);</li> <li>• Civilian firearms manufacturing or retail;</li> <li>• Tobacco manufacturing; or</li> </ul> <p><b>Derive more than 5% revenue from any of the following activities:</b></p> <ul style="list-style-type: none"> <li>• Thermal coal mining and extraction. The Fund may, as an exception, invest in labelled Sustainable Bonds issued by fossil fuel companies, which are intended to raise proceeds specifically for projects that promote positive environmental contributions mitigating the adverse sustainability impact of coal, such as renewable energy or energy efficiency, based on information available in the bond issuance documentation.</li> </ul>

The Investment Adviser may decide to implement additional restrictions to the Fund, and such new restrictions will be disclosed in the Fund's SFDR Website Disclosure.

**Good governance** practices include sound management structures, employee relations, remuneration of staff and tax compliance.

● ***What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?***

No minimum reduction rate has been defined in relation to the Fund's scope of investments. However, the Investment Adviser anticipates that the application of the exclusions described above will reduce the scope of the Fund's investments by approximately 10%. This is measured in terms of number of countries in the sovereign investment universe.

● ***What is the policy to assess good governance practices of the investee companies?***

As part of its bottom-up, fundamental research process, the Investment Adviser systematically incorporates the assessment of an issuer's corporate governance and business practices, including but not limited to evidence of sound management structures and employee relations, fair remuneration of staff, and tax compliance, in order to ensure that every investee company follows good governance practices.

This is done through the monitoring of data on governance-related, as well as on other environmental and/or social factors and controversies, sourced from third party providers, through in-house research, and through engagement with the management of selected issuers on corporate governance and disclosure issues.

In the interests of transparency, given the Fund's primary investment focus is on sovereign bonds, the Investment Adviser notes that it also assesses investee sovereign issuers' government effectiveness, political stability, control of corruption, and regulatory quality, among other factors.



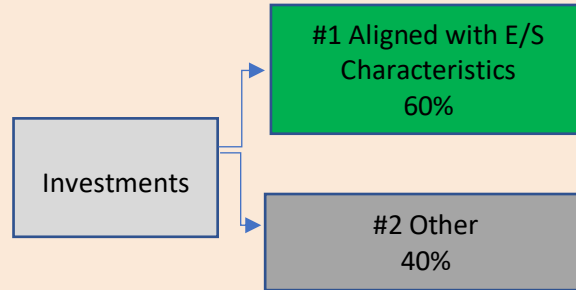
### Asset allocation

describes the share of investments in specific assets.

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.

## What is the asset allocation planned for this financial product?



**#1 Aligned with E/S characteristics** includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

**#2 Other** includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

The exclusions (as described above) will be applied to at least 60% of the portfolio. A maximum of 40% of the Fund may be invested in assets that do not align with any environmental or social characteristics, as described in the response to question, “5.5 What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards” further below.

As explained above, any investments that are held by the Fund but become restricted because they breach the investment exclusions set out above, after they are acquired for the Fund, will be sold. Such sales will take place over a period of time to be determined by the Investment Adviser, taking into account the best interests of the shareholders of the Fund. Such investments are included in the “#2 Other” category.

These percentages are measured according to the value of the investments.

### ● **How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?**

Derivatives may be used by the Fund for investment or efficient portfolio management (including hedging) purposes. These instruments are not used to attain the environmental or social characteristics of the Fund.



## To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

Not applicable

### ● Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy<sup>1</sup>?

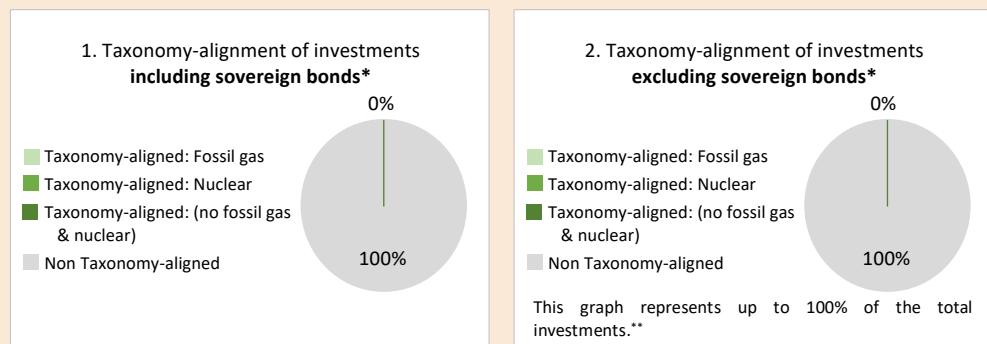
- Yes:  
 In fossil gas     In nuclear energy  
 No

To comply with EU Taxonomy, the criteria for **fossil gas** include limitations on emission and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

**Transitional activities** are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

*The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.*



\* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures.

\*\*The proportion of total investments shown in this graph is purely indicative and may vary over time. As the Fund does not commit to making sustainable investments aligned with the EU Taxonomy, the proportion of any sovereign exposure in the Fund's portfolio will not impact the proportion of sustainable investments aligned with the EU Taxonomy included in the graph.

<sup>1</sup> Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objective – see explanatory note in the left-hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

- ***What is the minimum share of investments in transitional and enabling activities?***

Not applicable



### What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?

Not applicable



are sustainable investments with an environmental objective that **do not take into account** the criteria for environmentally sustainable economic activities under the EU Taxonomy.



### What is the minimum share of socially sustainable investments?

Not applicable



### What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?

The Fund may invest in derivatives (including interest rate and foreign exchange derivatives) both for investment and for efficient portfolio management purposes, and in cash as ancillary liquidity. These instruments are included in the “#2 Other” category and are not subject to any minimum environmental or social safeguards.

The Fund aims, nevertheless, not to invest in derivatives associated with underlying assets, currencies, or interest rates related to countries that would otherwise be subject to the social violations exclusion described under the binding characteristics of the Fund.



### Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?

Not applicable

**Reference benchmarks** are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.



### Where can I find more product specific information online?

More product-specific information can be found on the website:

[https://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite\\_msinvf\\_emergingmarketsfixedincomeopportunities\\_en.pdf](https://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite_msinvf_emergingmarketsfixedincomeopportunities_en.pdf)



**Pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852**

**Product name:**

Emerging Markets Local Income Fund

**Legal entity identifier:**

(Fund to be launched)

## Environmental and/or social characteristics

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**.

That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

**Does this financial product have a sustainable investment objective?**

<p><input checked="" type="radio"/> <input type="radio"/> <input type="checkbox"/> <b>Yes</b></p> <p><input type="checkbox"/> It will make a minimum of <b>sustainable investments with an environmental objective: ___%</b></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> </ul> <p><input type="checkbox"/> It will make a minimum of <b>sustainable investments with a social objective: ___%</b></p>	<p><input checked="" type="radio"/> <input type="radio"/> <input checked="" type="checkbox"/> <b>No</b></p> <p><input type="checkbox"/> It <b>promotes Environmental/Social (E/S) characteristics</b> and while it does not have as its objective a sustainable investment, it will have a minimum proportion of ___% of sustainable investments</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> with a social objective</li> </ul> <p><input checked="" type="checkbox"/> It promotes E/S characteristics, but <b>will not make any sustainable investments</b></p>
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## What environmental and/or social characteristics are promoted by this financial product?

The Fund promotes the social characteristic of avoiding investments in sovereign issuers that significantly violate social rights and in investments which can cause harm to human health and wellbeing. In addition, the Fund promotes the environmental characteristic of climate change mitigation by avoiding investments where thermal coal mining and extraction represents a certain percentage of a company's revenue.

Further detail on the nature of these exclusions is set out below (in response to the question, "*What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?*").

The Fund has not designated a reference benchmark for the purposes of attaining its environmental or social characteristics.

**Sustainability indicators** measure how the environmental or social characteristics promoted by the financial product are attained.

- ***What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?***

The sustainability indicator used to measure the attainment of the Fund's environmental and social characteristics is the Fund's exposure, in percentage market value, to countries or companies that violate any of the exclusion criteria.

Additional details on the Fund's exclusions criteria and methodology are provided below in response to the question, "*What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?*"

- ***What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?***

Not applicable

- ***How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?***

Not applicable

- *How have the indicators for adverse impacts on sustainability factors been taken into account?*

Not applicable

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

- *How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:*

Not applicable

*The EU Taxonomy sets out a “do not significant harm” principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.*

*The “do no significant harm” principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.*

*Any other sustainable investments must also not significantly harm any environmental or social objectives.*

Regulation requires that this document includes these statements. However, for the avoidance of doubt, this Fund does not: (i) take into account the EU criteria for environmentally sustainable economic activities in the EU Taxonomy or make sustainable investments; or (ii) calculate its portfolio alignment with the EU Taxonomy. As such the Fund is 0% aligned with the EU Taxonomy.



### Does this financial product consider principal adverse impacts on sustainability factors?

- Yes  
 No

The Fund considers PAIs only in part through its exclusionary criteria, as follows:

- The Fund excludes any sovereign issuers where there is evidence of them having caused significant harm from social violations, which the Investment Adviser defines in relation to the bottom-10% ranked countries on an indicator reflecting the fulfilment of social rights, as further explained below in response to the question, “*What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?*”. The Fund therefore considers in part the PAI indicator 16: investee countries subject to social violations.
- The Fund excludes issuers which derive a certain percentage of revenue from thermal coal mining and extraction. The Fund therefore partly considers the PAI indicator 4: exposure to companies active in the fossil fuel sector.
- The Fund excludes issuers which derive any revenue from controversial weapons manufacturing or retail. The Fund therefore considers in whole the PAI indicator 14: exposure to controversial weapons.

The Fund does not consider any other PAI indicators.

The Fund will make information available on how it has incorporated the PAIs into the Fund in its periodic reports to investors.



**The investment strategy** guides investment decisions based on factors such as investment objectives and risk tolerance.

## What investment strategy does this financial product follow?

The Fund's investment objective is to generate total return, which is defined as income plus capital appreciation, by establishing a locally denominated Emerging Markets (as defined below) debt pool through currencies and interest rates, while investing primarily in: (i) Fixed Income Securities of corporate, government and government related issuers Located in Emerging Market countries or denominated in currencies of Emerging Markets countries and/or (ii) derivative instruments, denominated in or based on the currencies, interest rates, or issues of, Emerging Market countries.

As part of its investment strategy, the Fund aims at reducing exposure to sustainability risks through exclusionary screening of sovereign issuers that significantly violate social rights, as well as, for corporate issuers, of selected fossil fuels and activities which can cause dangers to human health and wellbeing.

In addition to the ESG considerations described in this document on a binding basis, the Fund integrates ESG considerations in the investment decision-making to support its environmental and social characteristics on a non-binding basis, based on the Investment Adviser's in-house research and methodologies and on third-party data.

The investment process is subject to regular review, as part of a control and monitoring framework implemented by the Investment Adviser. The Investment Adviser's Compliance, Risk and Portfolio Surveillance teams collaborate with the investment team to conduct regular portfolio/performance reviews and systemic checks to ensure compliance with portfolio investment objectives, investment and client guidelines, taking into account changing market conditions, information and strategy developments.

### ● **What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?**

The binding elements of the investment strategy consist of the exclusionary screening criteria applied to the portfolio construction process, as described in the table below.

The criteria are implemented and monitored by the Investment Adviser using a combination of third-party data and in-house research.

Binding criteria	
<p><b>The Fund will not invest in sovereign issuers which:</b></p>	<p>Are in the bottom-10% ranked countries for social violations, based on the Investment Adviser's custom indicator.</p> <p>The social violations custom indicator is calculated by the Investment Adviser taking into consideration a country's performance on issues including, but not limited to, the application of human rights and civil liberties, the quality of contract enforcement and security, freedom of expression, association and free media, as assessed by underlying data from third parties.</p> <p>Investments that are held by the Fund but become restricted because they breach the investment exclusions set out above, after they are acquired for the Fund, will be sold. Such sales will take place over a period of time to be determined by the Investment Adviser, taking into account the best interests of the shareholders of the Fund.</p> <p>In addition, any investments in sovereign issuers exhibiting positive momentum with respect to such violations shall not be subject to the purchase restriction. For example, if a country is in the process of making significant remediation efforts, such as through electoral or policy reforms and engagement with civil society, with regard to any social violations, the Investment Adviser may not exclude the</p>

	investment from the Fund, provided this assessment is kept under review by the Investment Adviser.
<b>The Fund will not invest in corporate issuers which:</b>	<p><b>Derive any revenue from any of the following activities:</b></p> <ul style="list-style-type: none"> <li>Controversial weapons manufacturing or retail (anti-personnel landmines, cluster munitions, biological or chemical weapons, and nuclear weapons);</li> <li>Civilian firearms manufacturing or retail;</li> <li>Tobacco manufacturing; or</li> </ul> <p><b>Derive more than 5% revenue from any of the following activities:</b></p> <ul style="list-style-type: none"> <li>Thermal coal mining and extraction. The Fund may, as an exception, invest in labelled Sustainable Bonds issued by fossil fuel companies, which are intended to raise proceeds specifically for projects that promote positive environmental contributions mitigating the adverse sustainability impact of coal, such as renewable energy or energy efficiency, based on information available in the bond issuance documentation.</li> </ul>

The Investment Adviser may decide to implement additional restrictions to the Fund, and such new restrictions will be disclosed in the Fund's SFDR Website Disclosure.

**Good governance** practices include sound management structures, employee relations, remuneration of staff and tax compliance.

● ***What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?***

No minimum reduction rate has been defined in relation to the Fund's scope of investments. However, the Investment Adviser anticipates that the application of the exclusions described above will reduce the scope of the Fund's investments by approximately 10%. This is measured in terms of number of countries in the sovereign investment universe.

● ***What is the policy to assess good governance practices of the investee companies?***

As part of its bottom-up, fundamental research process, the Investment Adviser systematically incorporates the assessment of an issuer's corporate governance and business practices, including but not limited to evidence of sound management structures and employee relations, fair remuneration of staff, and tax compliance, in order to ensure that every investee company follows good governance practices.

This is done through the monitoring of data on governance-related, as well as on other environmental and/or social factors and controversies, sourced from third party providers, through in-house research, and through engagement with the management of selected issuers on corporate governance and disclosure issues.

In the interests of transparency, given the Fund's primary investment focus is on sovereign bonds, the Investment Adviser notes that it also assesses investee sovereign issuers' government effectiveness, political stability, control of corruption, and regulatory quality, among other factors.



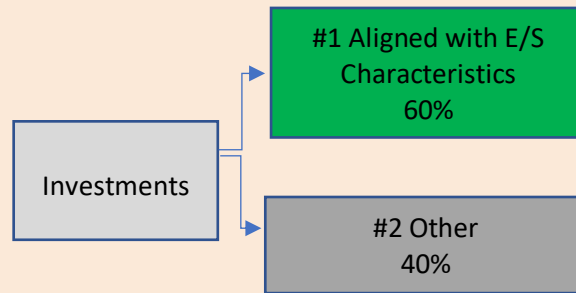
### Asset allocation

describes the share of investments in specific assets.

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.

## What is the asset allocation planned for this financial product?



**#1 Aligned with E/S characteristics** includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

**#2 Other** includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

The exclusions (as described above) will be applied to at least 60% of the portfolio. A maximum of 40% of the Fund may be invested in assets that do not align with any environmental or social characteristics, as described in the response to question, “5.5 What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards” further below.

As explained above, any investments that are held by the Fund but become restricted because they breach the investment exclusions set out above, after they are acquired for the Fund, will be sold. Such sales will take place over a period of time to be determined by the Investment Adviser, taking into account the best interests of the shareholders of the Fund. Such investments are included in the “#2 Other” category.

These percentages are measured according to the value of the investments.

### ● **How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?**

Derivatives may be used by the Fund for investment or efficient portfolio management (including hedging) purposes. These instruments are not used to attain the environmental or social characteristics of the Fund.



## To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

Not applicable

● **Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy<sup>1</sup>?**

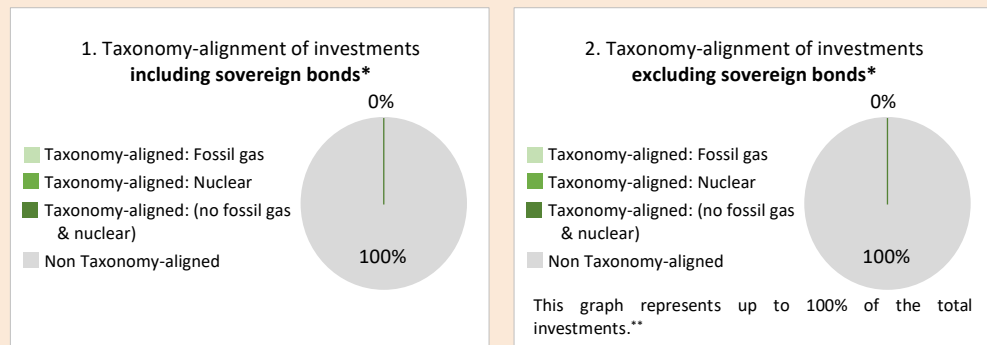
- Yes:
  - In fossil gas
  - In nuclear energy
- No

To comply with EU Taxonomy, the criteria for **fossil gas** include limitations on emission and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

**Transitional activities** are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

*The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.*



\* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures.

\*\*The proportion of total investments shown in this graph is purely indicative and may vary over time. As the Fund does not commit to making sustainable investments aligned with the EU Taxonomy, the proportion of any sovereign exposure in the Fund's portfolio will not impact the proportion of sustainable investments aligned with the EU Taxonomy included in the graph.

<sup>1</sup> Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objective – see explanatory note in the left-hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

- ***What is the minimum share of investments in transitional and enabling activities?***

Not applicable





### What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?

Not applicable



are sustainable investments with an environmental objective that **do not take into account** the criteria for environmentally sustainable economic activities under the EU Taxonomy.



### What is the minimum share of socially sustainable investments?

Not applicable



### What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?

The Fund may invest in derivatives (including interest rate and foreign exchange derivatives) both for investment and for efficient portfolio management purposes, and in cash as ancillary liquidity. These instruments are included in the “#2 Other” category and are not subject to any minimum environmental or social safeguards.

The Fund aims, nevertheless, not to invest in derivatives associated with underlying assets, currencies, or interest rates related to countries that would otherwise be subject to the social violations exclusion described under the binding characteristics of the Fund.



### Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?

Not applicable

**Reference benchmarks** are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.



### Where can I find more product specific information online?

More product-specific information can be found on the website:

[https://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite\\_msinvf\\_emergingmarketslocalincome\\_en.pdf](https://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite_msinvf_emergingmarketslocalincome_en.pdf)

**Pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852**

**Product name:**

Euro Bond Fund

**Legal entity identifier:**

GUL4X2DG7SIORG2PJB64

## Environmental and/or social characteristics

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**.

That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

Does this financial product have a sustainable investment objective?	
●● <input type="checkbox"/> Yes	●● <input checked="" type="checkbox"/> No
<input type="checkbox"/> It will make a minimum of <b>sustainable investments with an environmental objective: ___%</b> <ul style="list-style-type: none"> <li><input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> </ul>	<input checked="" type="checkbox"/> It <b>promotes Environmental/Social (E/S) characteristics</b> and while it does not have as its objective a sustainable investment, it will have a minimum proportion of <u>30</u> % of sustainable investments <ul style="list-style-type: none"> <li><input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input checked="" type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> <li><input checked="" type="checkbox"/> with a social objective</li> </ul>
<input type="checkbox"/> It will make a minimum of <b>sustainable investments with a social objective: ___%</b>	<input type="checkbox"/> It promotes E/S characteristics, but <b>will not make any sustainable investments</b>



## What environmental and/or social characteristics are promoted by this financial product?

The Fund promotes the environmental characteristic of climate change mitigation by excluding investments in certain types of fossil fuels. In addition, the Fund promotes the social characteristic of avoiding investments in activities which can cause harm to human health and wellbeing, in sovereign issuers that significantly violate social rights, and securitisations that violate responsible business or lending practices.

Further detail on the nature of these exclusions is set out below (in response to the question, “*What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?*”).

The Fund also aims to make a minimum of 30% sustainable investments in:

- Corporate issuers whose business practices, products or solutions, make a net positive contribution towards United Nations’ Sustainable Development Goals (“SDGs”);
- Sovereign issuers with ESG scores in the top-2 ranks according to the Investment Adviser’s proprietary scoring methodology, associated with positive environmental or social attributes; or
- Sustainable Bonds, from any type of issuer, which make a positive environmental or social contribution through their use of proceeds, as explained in response to the question below, “*What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?*”

The Fund has not designated a reference benchmark for the purpose of attaining its environmental or social characteristics.

**Sustainability indicators** measure how the environmental or social characteristics promoted by the financial product are attained.

### ● ***What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?***

The sustainability indicator used to measure the attainment of the Fund’s environmental and social characteristics is the Fund’s exposure, in percentage market value, to issuers that violate any of the exclusion criteria. Additional details on the Fund’s exclusions criteria and methodology are provided below in response to the question, “*What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?*”

### ● ***What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?***

The Fund’s sustainable investments will fall within one of the following categories:

- Green, Social or Sustainability Bonds (“Sustainable Bonds”), as labelled in the securities’ documentation, where the issuer commits to allocate the proceeds to projects making a positive environmental or social contribution. This includes, but is not limited to, bonds that align with the International Capital Market Association (ICMA)’s Green Bond Principles, Social Bond Principles, and Sustainability Bond Guidelines, and bonds which have been assessed through the Investment Adviser’s proprietary Sustainable Bond evaluation framework. Sustainable Bonds mobilise financing directly towards a multiplicity of environmental and social projects whose focus spans across a number of sustainability objectives. Examples include, but are not limited to, financing for renewable energy, energy efficiency, clean transportation, affordable housing, and financial inclusion projects. The specific objectives to which the Sustainable Bonds contribute depend on the eligible environmental and social project categories of each security.

- Bonds from corporate issuers whose business practices, products or solutions, make a net positive contribution towards the SDGs. The SDGs were adopted by the United Nations in 2015 as a universal call to action to end poverty, protect the planet and ensure that by 2030 all people enjoy peace and prosperity. The Investment Adviser defines positive contribution to the SDGs as a net positive aggregate alignment score across all the SDGs (i.e., scores measuring positive contribution to individual SDGs have to, in total, be greater than the total of any negative contribution scores), based on third-party data. The Investment Adviser will also only include issuers which have sufficient positive SDG alignment (in the Investment Adviser's view) with at least one individual SDG, and which do not have any material mis-alignments (in the Investment Adviser's view) on any of the SDGs.
- Bonds from sovereign issuers with an ESG rank of 4 or 5, in a 1-5 range where 5 is best, based on the Investment Adviser's proprietary ESG scoring methodology. Ranks of 4 and 5 reflect a country's positive contribution towards environmental and social themes such as decarbonisation, forestry conservation, promotion of education, health and wellbeing, and good living standards. The Investment Adviser will, however, not treat the investment as sustainable if the sovereign issuer ranked 4 or 5 has experienced recent negative momentum as assessed through in-house research, which is not captured by ESG data providers. For example, this may include circumstances where a country is facing significant political and/or social instability.

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

● ***How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?***

The Fund's sustainable investments aim not to cause significant harm to any environmental or social objective, by:

- avoiding investments in issuers that violate minimum social safeguards; and
- by the Fund excluding issuers which breach thresholds set by the Investment Advisers relating to the principal adverse impact ("PAI") indicators which the Investment Adviser is required to consider by the EU Sustainable Finance Disclosure Regulation ("SFDR") rules, and which are relevant to the investment.

This assessment is conducted using in-house proprietary as well as third-party research on the sustainability characteristics of the Fund's holdings.

– ***How have the indicators for adverse impacts on sustainability factors been taken into account?***

The "do no significant harm" methodology applied by the Investment Adviser on sustainable investments seeks to exclude investments that cause harm to any of the PAI indicators (listed below) which are mandatory for the Investment Adviser to consider under the EU SFDR rules, and which are relevant to the investment.

PAI indicators:

**Investee companies**

1. GHG emissions
2. Carbon Footprint
3. GHG intensity of investee companies
4. Exposure to companies active in the fossil sector
5. Share of non-renewable energy consumption and production
6. Energy consumption intensity per high impact climate sector
7. Activities negatively affecting biodiversity sensitive areas
8. Emissions to water
9. Hazardous waste ratio
10. Violations of UN Global Compact and OECD
11. Lack of processes and compliance mechanisms to monitor compliance with the UNGC and OECD

12. Unadjusted gender pay gap
13. Board gender diversity
14. Exposure to controversial weapons

### **Sovereign**

1. Sovereign GHG intensity
2. Investee countries subject to social violations

The Investment Adviser has determined specific metrics and quantitative thresholds for what constitutes significant harm to screen PAI indicators that are relevant to the investment, using third-party data as well as in-house research. The thresholds are set: (i) on an absolute value basis; (ii) on a relative basis in the context of the investment universe; or (iii) using pass/fail scores. Different metrics or thresholds may apply to issuers located in developed markets and in emerging markets, respectively. This is intended to reflect the different extent to which the Investment Adviser deems that meeting minimum sustainability standards in these markets is currently achievable. In addition, different relative thresholds may apply to similar indicators: for example, the Investment Adviser currently applies a lower threshold to determine significant adverse impact with respect to scope 3 emissions intensity as compared to scope 1 and 2 emissions intensity. This is because: (i) companies have less control over their indirect emissions; and (ii) data estimates for scope 3 emissions, which currently prevail over reported data compared to scope 1 and 2 emissions, may result in a less accurate PAI assessment.

The Investment Adviser may use reasonable proxy indicators sourced from third parties to address the current lack of data for certain PAI indicators. The Investment Adviser's use of proxy indicators will be kept under review and will be replaced by PAI data from third-party data providers, when the Investment Adviser determines that sufficiently reliable data has become available.

The Investment Adviser generally conducts the PAI assessment at the issuer level. However, where appropriate the assessment may be done at the security level in whole or in part. For instance, in the case of Sustainable Bonds, as defined above, the PAI indicators that are directly related to the sustainability factors targeted by the bond's use of proceeds will be assessed at the security level, through the Investment Adviser's proprietary Sustainable Bond Evaluation Framework. As an example, the Fund may invest in a Green Bond issued by a utility company that has a negative assessment of the PAI indicators related to GHG emissions and/or GHG intensity, as long as the Investment Adviser evaluates that the issuer has a credible strategy to reduce its GHG emissions, and that the Green Bond specifically contributes towards such goal. Other PAI indicators that are unrelated to the Sustainable Bond's use of proceeds are still assessed at the issuer level.

The Fund's PAI assessment is supported, on a qualitative basis, by the Investment Adviser's engagement with selected issuers on their corporate governance practices, as well as on other material sustainability issues related to the SDGs, in line with the Investment Adviser's Fixed Income Engagement Strategy, available on [www.morganstanley.com/im](http://www.morganstanley.com/im)

- *How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:*

The Fund's sustainable investments exclude issuers which have experienced very severe controversies that are deemed to violate the UN Global Compact, the UN Guiding Principles on Business and Human Rights, or the ILO Fundamental Principles, and issuers with very severe controversies related to violations of the OECD Guidelines for Multinational Enterprises. This screening is done using third-party data.

*The EU Taxonomy sets out a “do not significant harm” principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.*

*The “do no significant harm” principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.*

*Any other sustainable investments must also not significantly harm any environmental or social objectives.*

*Regulation requires that this document include these statements. However, for the avoidance of doubt, this Fund does not: (i) take into account the EU criteria for environmentally sustainable economic activities in the EU Taxonomy; or (ii) calculate its portfolio alignment with the EU Taxonomy. As such, the Fund is 0% aligned with the EU Taxonomy. The “do no significant harm” principle applies only to the portion of the Fund’s investments that are sustainable investments.*



### Does this financial product consider principal adverse impacts on sustainability factors?

- Yes  
 No

The Fund considers all of the mandatory PAI on sustainability factors which are relevant to the investment for the portion allocated to sustainable investments, as described above in response to the question, “How have the indicators for adverse impacts on sustainability factors been taken into account?”

The portion of the Fund that is not made of sustainable investments considers the PAI only in part through the Fund’s exclusionary criteria, as follows:

- The Fund excludes issuers which derive any revenue from thermal coal mining and extraction. The Fund therefore partly considers the PAI indicator 4: exposure to companies active in the fossil fuel sector.
- The Fund excludes issuers which derive any revenue from controversial weapons manufacturing or retail. The Fund therefore considers in whole the PAI indicator 14: exposure to controversial weapons.
- The Fund excludes sovereign issuers where there is evidence of them having caused significant harm from social violations, which the Investment Adviser defines in relation to the bottom-10% ranked countries on an indicator reflecting the fulfilment of social rights, as further explained in response to the question, “What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?” The Fund therefore considers in part the PAI indicator number 16: investee countries subject to social violations.

The Fund will make information available on how it has incorporated the PAIs into the Fund in its periodic reports to investors.



**The investment strategy** guides investment decisions based on factors such as investment objectives and risk tolerance.

## What investment strategy does this financial product follow?

The Fund aims to provide an attractive rate of relative return, measured in Euro, through investments in high quality issues of Euro denominated fixed income securities whether issued by corporations, government or government guaranteed issuers, while reducing exposure to sustainability risks through exclusionary screening of selected fossil fuels and of activities which can cause dangers to human health and wellbeing, of sovereign issuers that violate social rights, and of securitisations that violate responsible business or lending practices.

In addition to the ESG considerations described in this summary on a binding basis, the Fund integrates ESG considerations in the investment decision-making process to support its environmental and social characteristics on a non-binding basis, based on the Investment Adviser's in-house research and methodologies and on third-party data.

The investment process is subject to regular review, as part of a control and monitoring framework implemented by the Investment Adviser. The Investment Adviser's Compliance, Risk and Portfolio Surveillance teams collaborate with the investment team to conduct regular portfolio/performance reviews and systemic checks to ensure compliance with portfolio investment objectives and environmental and social characteristics, taking into account changing market conditions, information and strategy developments.

### ● **What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?**

The binding elements of the investment strategy are described in the table below.

The criteria are implemented and monitored by the Investment Adviser using a combination of third-party data and in-house research.

<b>Binding criteria</b>	
<b>The Fund will not invest in corporate issuers which:</b>	<p><b><u>Derive any revenue from any of the following activities:</u></b></p> <ul style="list-style-type: none"> <li>Controversial weapons manufacturing or retail (anti-personnel landmines, cluster munitions, biological or chemical weapons, and nuclear weapons);</li> <li>Civilian firearms manufacturing or retail;</li> <li>Tobacco manufacturing; or</li> </ul> <p><b><u>Derive more than 5% revenue from any of the following activities:</u></b></p> <ul style="list-style-type: none"> <li>Thermal coal mining and extraction. The Fund may, as an exception, invest in labelled Sustainable Bonds issued by fossil fuel companies, which are intended to raise proceeds specifically for projects that promote positive environmental contributions mitigating the adverse sustainability impact of coal, such as renewable energy or energy efficiency, based on information available in the bond issuance documentation.</li> </ul>
<b>The Fund will not invest in sovereign issuers which:</b>	Are in the bottom-10% ranked countries for social violations, based on the Investment Adviser's custom indicator.

	<p>The social violations custom indicator is calculated by the Investment Adviser taking into consideration a country's performance on issues including, but not limited to, the application of human rights and civil liberties, the quality of contract enforcement and security, freedom of expression, association and free media, as assessed by underlying data from third parties.</p> <p>Investments that are held by the Fund but become restricted because they breach the investment exclusions set out above, after they are acquired for the Fund, will be sold. Such sales will take place over a period of time to be determined by the Investment Adviser, taking into account the best interests of the shareholders of the Fund.</p> <p>In addition, any investments in sovereign issuers exhibiting positive momentum with respect to such violations, shall not be subject to the purchase restriction. For example, if a country is in the process of making significant remediation efforts, such as through electoral or policy reforms and engagement with civil society, with regard to any social violations, the Investment Adviser may not exclude the investment from the Fund, provided this is kept under review by the Investment Adviser.</p>
<p><b>The Fund will not invest in securitisations in which:</b></p>	<ul style="list-style-type: none"> <li>• The underlying loans show evidence of predatory lending, as determined by the applicable usury laws, and in the context of market rates and borrower's risk profile;*</li> <li>• The lender or servicer of the underlying assets has committed a severe breach of consumer protection standards: <ul style="list-style-type: none"> <li>o as established by the Consumer Financial Protection Bureau (CFPB) in the United States; or</li> <li>o as established by any relevant regulatory and supervisory agency in the jurisdiction where the securitisation's originator and/or collateral are located;</li> </ul> <p>if the breach relates to the securitisation's underlying collateral, underwriting and servicing practices, unless there is evidence of the breach having been or being remediated;** or</p> </li> <li>• The originator, lender or servicers has been involved in controversy cases related to business ethics and fraud that the Investment Adviser views as "Very Severe" based on data by relevant ESG data providers, and where the Investment Adviser considers appropriate remedial action has not been taken.</li> </ul> <p>* A loan is considered a predatory loan if:</p> <ul style="list-style-type: none"> <li>• Interest rates do not comply with U.S. usury laws or the equivalent in other jurisdictions; or</li> <li>• Interest rates being offered exceed a limit for which the Investment Adviser deems to be exceedingly higher than the industry standard. The Investment Adviser may choose to proceed with an investment where interest rates where interest rates surpass this level if following enhanced due diligence (including through direct engagement with the lending team and/or servicing department on the securitisation deal), the Investment Adviser determines that access to the loan is still beneficial to the borrower when taking into consideration its risk profile and alternative borrowing options. The interest rate levels which are considered industry standard are subject to periodic review by the Investment Adviser, based on the</li> </ul>



	<p>prevailing market conditions and prevailing rates across the industry at the time.</p> <p>** This exclusion criterion does not apply to lenders or servicers of U.S. government sponsored mortgage-backed securities, as their compliance of such securitisations with local regulatory standards is already monitored by the U.S. government on an ongoing basis. Such investments will be considered to fall within “#1 Aligned with E/S characteristics”, in response to the question, “What is the asset allocation planned for this financial product?”</p>
<b>Sustainable investments</b>	<p>The Fund will maintain a minimum of 30% of sustainable investments, which meet the criteria as set out in response to the question, “<i>What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?</i>”</p>

The Investment Adviser may decide to implement additional restrictions to the Fund, and such new restrictions will be disclosed in the Fund’s SFDR Website Disclosure.

**Good governance** practices include sound management structures, employee relations, remuneration of staff and tax compliance.

● ***What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?***

The Fund does not target a specific reduction rate of the scope of investments.

● ***What is the policy to assess good governance practices of the investee companies?***

As part of its bottom-up, fundamental research process, the Investment Adviser systematically incorporates the assessment of an issuer’s corporate governance and business practices, including but not limited to evidence of sound management structures and employee relations, fair remuneration of staff, and tax compliance, in order to ensure that every investee company follows good governance practices.

This is done through the monitoring of data on governance-related, as well as on other environmental and/or social factors and controversies, sourced from third party providers, through in-house research, and through engagement with the management of selected issuers on corporate governance and disclosure issues.

In addition, the Fund’s sustainable investments exclude any company that is involved in very severe governance-related controversies. In the interests of transparency, given the Fund’s primary investment focus is on sovereign bonds, the Investment Adviser notes that it also assesses investee sovereign issuers’ government effectiveness, political stability, control of corruption, and regulatory quality, among other factors.



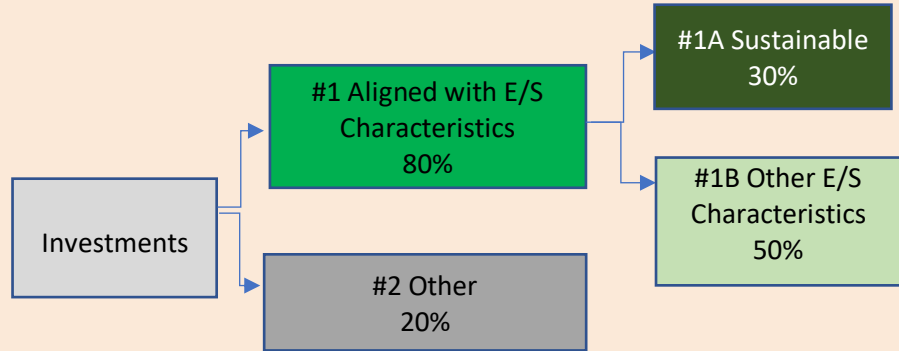
### Asset allocation

describes the share of investments in specific assets.

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.

## What is the asset allocation planned for this financial product?



**#1 Aligned with E/S characteristics** includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

**#2 Other** includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

The category **#1 Aligned with E/S characteristics** covers:

- The sub-category **#1A Sustainable** covers sustainable investments with environmental or social objectives.
- The sub-category **#1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.

The exclusions (as described above) will be applied to at least 80% of the portfolio, however the Fund also expects to allocate a minimum of 30% of its assets to sustainable investments. Among these sustainable investments, the Fund commits to make a minimum of 1% of sustainable investments with an environmental objective and 1% of sustainable investments with a social objective which can both vary independently at any time.

A maximum of 20% of the Fund's assets may be invested in hedging and/or cash instruments for efficient portfolio management purposes, which do not align with any environmental or social characteristics.

As explained above, any investments that are held by the Fund but become restricted because they breach the investment exclusions set out above, after they are acquired for the Fund, will be sold. Such sales will take place over a period of time to be determined by the Investment Adviser, taking into account the best interests of the shareholders of the Fund. Such investments are included in the "#2 Other" category.

These percentages are measured according to the value of the investments.

### ● **How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?**

Derivatives may be used by the Fund for investment or efficient portfolio management (including hedging) purposes only. These instruments are not used to attain the environmental or social characteristics of the Fund.



## To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

Not applicable – the Investment Adviser does not take account of the EU Taxonomy in its management of the Fund and as such the Fund’s sustainable investments do not take into account the criteria for environmentally sustainable economic activities under the EU Taxonomy.

### ● Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy<sup>1</sup>?

Yes:

In fossil gas     In nuclear energy

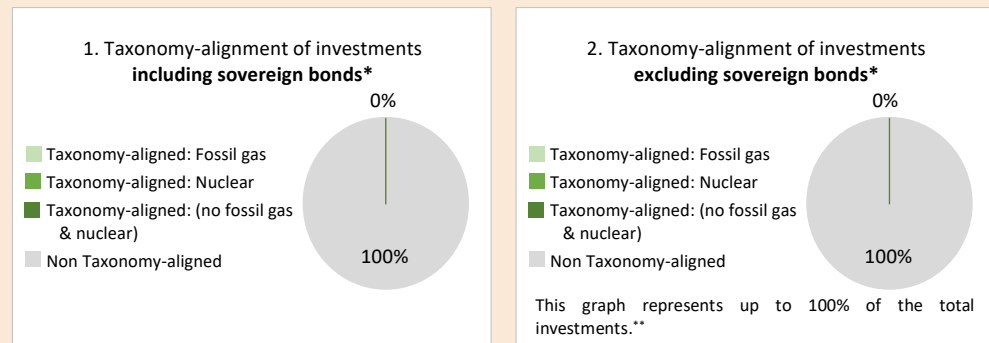
No

To comply with EU Taxonomy, the criteria for **fossil gas** include limitations on emission and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

**Transitional activities** are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

*The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.*



\* For the purpose of these graphs, ‘sovereign bonds’ consist of all sovereign exposures.

\*\*The proportion of total investments shown in this graph is purely indicative and may vary over time. As the Fund does not commit to making sustainable investments aligned with the EU Taxonomy, the proportion of any sovereign exposure in the Fund’s portfolio will not impact the proportion of sustainable investments aligned with the EU Taxonomy included in the graph.

### ● What is the minimum share of investments in transitional and enabling activities?

Not applicable - Although the Fund commits to invest in sustainable investments within the meaning of the SFDR, there is no commitment to a minimum share of investments in transitional and enabling activities.

<sup>1</sup> Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change (“climate change mitigation”) and do not significantly harm any EU Taxonomy objective – see explanatory note in the left-hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.



are sustainable investments with an environmental objective that **do not take into account** the criteria for environmentally sustainable economic activities under the EU Taxonomy.

### What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?

The Fund intends to make a minimum of 30% sustainable investments, as defined under the SFDR, with a combination of environmental and social objectives, as described above. Among these, the Fund commits to make a minimum of 1% of sustainable investments with an environmental objective and 1% of sustainable investments with a social objective which can both vary independently at any time. These sustainable investments will represent at least 30% of the portfolio holdings on an aggregated basis.

The Fund's sustainable investments with an environmental objective **do not take into account the criteria** for environmentally sustainable economic activities under the EU Taxonomy.

Although some of these sustainable investments may be Taxonomy aligned, due to lack of available data regarding the Taxonomy alignment of the underlying securities, the Investment Adviser has not been able to confirm whether these investments are in fact Taxonomy aligned and accordingly will not consider them as such in calculations until this data is reported on or otherwise becomes more reliable. As such, the Investment Adviser uses its own methodology to determine whether certain investments are sustainable in accordance with the SFDR sustainable investment test, and then invests in such assets for the Fund.



### What is the minimum share of socially sustainable investments?

As explained above, the Fund may make sustainable investments which contribute to either environmental or social objectives. Among these, the Fund commits to make a minimum of 1% of sustainable investments with an environmental objective and 1% of sustainable investments with a social objective which can both vary independently at any time. These sustainable investments will represent at least 30% of the portfolio holdings on an aggregated basis.



### What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?

The Fund may have investments in hedging instruments for efficient portfolio management and in cash as ancillary liquidity. These instruments are included in the “#2 Other” category and are not subject to environmental and/or social screening or any minimum environmental or social safeguards.



**Reference benchmarks** are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.

### Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?

Not applicable



## Where can I find more product specific information online?

More product-specific information can be found on the website:

[https://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite\\_msinvf\\_eurobond\\_en.pdf](https://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite_msinvf_eurobond_en.pdf)

**Pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852**

**Product name:**  
Euro Corporate Bond Fund

**Legal entity identifier:**  
28WYH088EMGB02JCXS87

## Environmental and/or social characteristics

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**.

That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

Does this financial product have a sustainable investment objective?	
<p><input checked="" type="radio"/> <input type="radio"/> <input type="checkbox"/> <b>Yes</b></p>	<p><input type="radio"/> <input checked="" type="radio"/> <input checked="" type="checkbox"/> <b>No</b></p>
<p><input type="checkbox"/> It will make a minimum of <b>sustainable investments with an environmental objective: ___%</b></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> </ul> <p><input type="checkbox"/> It will make a minimum of <b>sustainable investments with a social objective: ___%</b></p>	<p><input checked="" type="checkbox"/> It <b>promotes Environmental/Social (E/S) characteristics</b> and while it does not have as its objective a sustainable investment, it will have a minimum proportion of <u>40</u> % of sustainable investments</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input checked="" type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> <li><input checked="" type="checkbox"/> with a social objective</li> </ul> <p><input type="checkbox"/> It promotes E/S characteristics, but <b>will not make any sustainable investments</b></p>



## What environmental and/or social characteristics are promoted by this financial product?

The Fund promotes the environmental characteristic of climate change mitigation by excluding investments in certain types of fossil fuels. In addition, the Fund promotes the social characteristic of avoiding investments in certain activities which can cause harm to human health and wellbeing.

Further detail on the nature of these exclusions is set out below (in response to the question, “*What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?*”).

The Fund also supports the above environmental and social characteristics by aiming to make a minimum of 40% sustainable investments in:

- Corporate issuers whose business practices, products or solutions, make a net positive contribution towards United Nations’ Sustainable Development Goals (“**SDGs**”); or
- Sustainable Bonds which make a positive environmental or social contribution through their use of proceeds, as explained in response to the question below, “*What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?*”.

The Fund has not designated a reference benchmark for the purpose of attaining its environmental or social characteristics.

**Sustainability indicators** measure how the environmental or social characteristics promoted by the financial product are attained.

### ● **What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?**

The sustainability indicator used to measure the attainment of the Fund’s environmental and social characteristics is the Fund’s exposure, in percentage market value, to issuers that violate any of the exclusion criteria. Additional details on the Fund’s exclusions criteria and methodology are provided below in response to the question, “*What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?*”

### ● **What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?**

The Fund’s sustainable investments will fall within one of the following categories:

- Green, Social or Sustainability Bonds (“Sustainable Bonds”), as labelled in the securities’ documentation, where the issuer commits to allocate the proceeds to projects making a positive environmental or social contribution. This includes, but is not limited to, bonds that align with the International Capital Market Association (ICMA)’s Green Bond Principles, Social Bond Principles, and Sustainability Bond Guidelines, and bonds which have been assessed through the Investment Adviser’s proprietary Sustainable Bond evaluation framework. Sustainable Bonds mobilise financing directly towards a variety of environmental and social projects whose focus spans across a number of sustainability objectives. Examples include, but are not limited to, financing for renewable energy, energy efficiency, clean transportation, affordable housing, and financial inclusion projects. The specific objectives to which the Sustainable Bonds contribute depend on the eligible environmental and social project categories of each security.
- Bonds from corporate issuers whose business practices, products or solutions, make a net positive contribution towards the SDGs. The SDGs were adopted by the United Nations in 2015 as a universal call to action to end poverty, protect the planet and ensure that by 2030

all people enjoy peace and prosperity. They include environmental (e.g. Climate Action or Life on Land) and social (e.g. Good Health and Well-Being) objectives. The Investment Adviser defines positive contribution to the SDGs as a net positive aggregate alignment score across all the SDGs (i.e., scores measuring positive contribution to individual SDGs have to, in total, be greater than the total of any negative contribution scores), based on third-party data. The Investment Adviser will also only include issuers which have sufficient positive SDG alignment (in the Investment Adviser's view) with at least one individual SDG, and which do not have any material mis-alignments (in the Investment Adviser's view) on any of the SDGs.

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

● ***How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?***

The Fund's sustainable investments aim not to cause significant harm to any environmental or social objective, by:

- avoiding investments in issuers that violate minimum social safeguards; and
- by the Fund excluding issuers which breach thresholds set by the Investment Adviser relating to the principal adverse impact ("PAI") indicators which the Investment Adviser is required to consider by the EU Sustainable Finance Disclosure Regulation ("SFDR") rules, and which are relevant to the investment.

This assessment is conducted using in-house proprietary as well as third-party research on the sustainability characteristics of the Fund's holdings.

– ***How have the indicators for adverse impacts on sustainability factors been taken into account?***

The "do no significant harm" methodology applied by the Investment Adviser on sustainable investments seeks to exclude investments that cause harm to any of the PAI indicators (listed below) which are mandatory for the Investment Adviser to consider under the EU SFDR rules, and which are relevant to the investment.

PAI indicators:

**Investee companies**

1. GHG emissions
2. Carbon Footprint
3. GHG intensity of investee companies
4. Exposure to companies active in the fossil sector
5. Share of non-renewable energy consumption and production
6. Energy consumption intensity per high impact climate sector
7. Activities negatively affecting biodiversity sensitive areas
8. Emissions to water
9. Hazardous waste ratio
10. Violations of UN Global Compact and OECD
11. Lack of processes and compliance mechanisms to monitor compliance with the UNGC and OECD
12. Unadjusted gender pay gap
13. Board gender diversity
14. Exposure to controversial weapons

The Investment Adviser has determined specific metrics and quantitative thresholds for what constitutes significant harm to screen PAI indicators that are relevant to the investment, using third-party data. The thresholds are set: (i) on an absolute value basis; (ii) on a relative basis in the context of the investment universe; or (iii) using pass/fail scores. Different metrics or thresholds may apply to issuers located in developed markets and in emerging markets, respectively. This is intended to reflect the different extent to which the Investment Adviser deems that meeting minimum sustainability standards in these markets is currently achievable. In addition, different relative thresholds may apply to similar indicators: for



example, the Investment Adviser currently applies a lower threshold to determine significant adverse impact with respect to scope 3 emissions intensity as compared to scope 1 and 2 emissions intensity. This is because: (i) companies have less control over their indirect emissions; and (ii) data estimates for scope 3 emissions, which currently prevail over reported data compared to scope 1 and 2 emissions, may result in a less accurate PAI assessment.

The Investment Adviser may use reasonable proxy indicators sourced from third parties to address the current lack of data for certain PAI indicators. The Investment Adviser's use of proxy indicators will be kept under review and will be replaced by PAI data from third-party data providers, when the Investment Adviser determines that sufficiently reliable data has become available.

The Investment Adviser generally conducts the PAI assessment at the issuer level. However, where appropriate the assessment may be done at the security level in whole or in part. For instance, in the case of Sustainable Bonds, as defined above, the PAI indicators that are directly related to the sustainability factors targeted by the bond's use of proceeds will be assessed at the security level, through the Investment Adviser's proprietary Sustainable Bond Evaluation Framework. As an example, the Fund may invest in a Green Bond issued by a utility company that has a negative assessment of the PAI indicators related to GHG emissions and/or GHG intensity, as long as the Investment Adviser evaluates that the issuer has a credible strategy to reduce its GHG emissions, and that the Green Bond specifically contributes towards such goal. Other PAI indicators that are unrelated to the Sustainable Bond's use of proceeds are still assessed at the issuer level.

The Fund's PAI assessment is supported, on a qualitative basis, by the Investment Adviser's engagement with selected issuers on their corporate governance practices, as well as on other material sustainability issues related to the SDGs, in line with the Investment Adviser's Fixed Income Engagement Strategy, available on [www.morganstanley.com/im](http://www.morganstanley.com/im).

– *How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:*

The Fund's sustainable investments exclude issuers which have experienced very severe controversies that are deemed to violate the UN Global Compact, the UN Guiding Principles on Business and Human Rights, or the ILO Fundamental Principles, and issuers with very severe controversies related to violations of the OECD Guidelines for Multinational Enterprises. This screening is done using third-party data.

*The EU Taxonomy sets out a "do not significant harm" principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.*

*The "do no significant harm" principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.*

*Any other sustainable investments must also not significantly harm any environmental or social objectives.*

Regulation requires that this document include these statements. However, for the avoidance of doubt, this Fund does not: (i) take into account the EU criteria for environmentally sustainable economic activities in the EU Taxonomy; or (ii) calculate its portfolio alignment with the EU Taxonomy. As such, the Fund is 0% aligned with the EU Taxonomy. The "do no significant harm" principle applies only to the portion of the Fund's investments that are sustainable investments.



## Does this financial product consider principal adverse impacts on sustainability factors?

- Yes  
 No

The Fund considers all of the mandatory PAI on sustainability factors which are relevant to the investment for the portion allocated to sustainable investments, as described above in response to the question, “How have the indicators for adverse impacts on sustainability factors been taken into account?”

The portion of the Fund that is not made of sustainable investments considers the PAI only in part through the Fund’s exclusionary criteria, as follows:

- The Fund excludes issuers which derive any revenue from thermal coal mining and extraction. The Fund therefore partly considers the PAI indicator 4: exposure to companies active in the fossil fuel sector.
- The Fund excludes issuers which derive any revenue from controversial weapons manufacturing or retail. The Fund therefore considers in whole the PAI indicator 14: exposure to controversial weapons.

The Fund will make information available on how it has incorporated the PAIs into the Fund in its periodic reports to investors.



## What investment strategy does this financial product follow?

**The investment strategy** guides investment decisions based on factors such as investment objectives and risk tolerance.

The Fund aims to provide an attractive rate of relative return, measured in Euro, through investments in high quality issues of Euro denominated fixed income securities, issued by corporations and other non-government related issuers, while reducing exposure to sustainability risks through exclusionary screening of selected fossil fuels and of activities which can cause dangers to human health and wellbeing.

In addition to the ESG considerations described in this summary on a binding basis, the Fund integrates ESG considerations in the investment decision-making process to support its environmental and social characteristics on a non-binding basis, based on the Investment Adviser’s in-house research and methodologies and on third-party data.

The investment process is subject to regular review, as part of a control and monitoring framework implemented by the Investment Adviser. The Investment Adviser’s Compliance, Risk and Portfolio Surveillance teams collaborate with the investment team to conduct regular portfolio/performance reviews and systemic checks to ensure compliance with portfolio investment objectives and environmental and social characteristics, taking into account changing market conditions, information and strategy developments.

### ● **What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?**

The binding elements of the investment strategy are described in the table below. The criteria are implemented and monitored by the Investment Adviser using a combination of third-party data and in-house research.

<b>Binding criteria</b>	
<b>The Fund will not invest in corporate issuers which:</b>	<p><b><u>Derive any revenue from any of the following activities:</u></b></p> <ul style="list-style-type: none"> <li>• Controversial weapons manufacturing or retail (anti-personnel landmines, cluster munitions, biological or chemical weapons, and nuclear weapons);</li> <li>• Civilian firearms manufacturing or retail;</li> <li>• Tobacco manufacturing; or</li> </ul> <p><b><u>Derive more than 5% revenue from any of the following activities:</u></b></p> <ul style="list-style-type: none"> <li>• Thermal coal mining and extraction. The Fund may, as an exception, invest in labelled Sustainable Bonds issued by fossil fuel companies, which are intended to raise proceeds specifically for projects that promote positive environmental contributions mitigating the adverse sustainability impact of coal, such as renewable energy or energy efficiency, based on information available in the bond issuance documentation.</li> </ul>
<b>Sustainable investments</b>	The Fund will maintain a minimum of 40% of sustainable investments, which meet the criteria as set out in response to the question, <i>“What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?”</i>

The Investment Adviser may decide to implement additional restrictions to the Fund, and such new restrictions will be disclosed in the Fund’s SFDR Website Disclosure.

**Good governance** practices include sound management structures, employee relations, remuneration of staff and tax compliance.

● ***What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?***

The Fund does not target a specific reduction rate of the scope of investments.

● ***What is the policy to assess good governance practices of the investee companies?***

As part of its bottom-up, fundamental research process, the Investment Adviser systematically incorporates the assessment of an issuer’s corporate governance and business practices, including but not limited to evidence of sound management structures and employee relations, fair remuneration of staff, and tax compliance, in order to ensure that every investee company follows good governance practices.

This is done through the monitoring of data on governance-related, as well as on other environmental and/or social factors and controversies, sourced from third party providers, through in-house research, and through engagement with the management of selected issuers on corporate governance and disclosure issues.

In addition, the Fund’s sustainable investments exclude any company that is involved in very severe governance-related controversies.



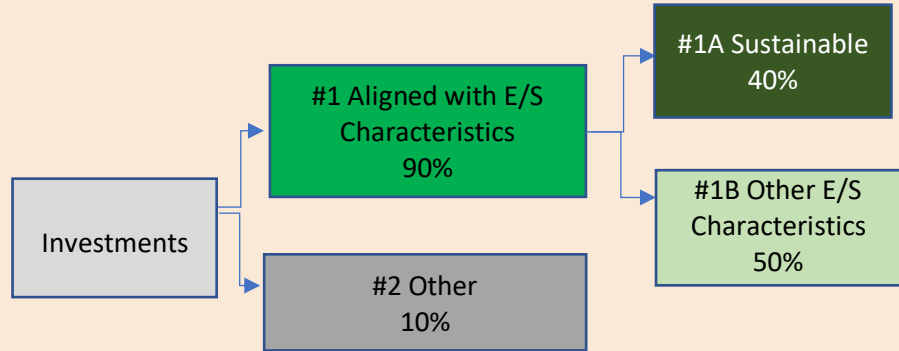
### Asset allocation

describes the share of investments in specific assets.

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.

## What is the asset allocation planned for this financial product?



**#1 Aligned with E/S characteristics** includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

**#2 Other** includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

The category **#1 Aligned with E/S characteristics** covers:

- The sub-category **#1A Sustainable** covers sustainable investments with environmental or social objectives.
- The sub-category **#1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.

The exclusions (as described above) will be applied to at least 90% of the portfolio, of which the Fund also expects to allocate a minimum of 40% of its assets to sustainable investments. Among these sustainable investments, the Fund commits to make a minimum of 1% of sustainable investments with an environmental objective and 1% of sustainable investments with a social objective which can both vary independently at any time.

A maximum of 10% of the Fund's assets may be invested in hedging and/or cash instruments for efficient portfolio management purposes, which do not align with any environmental or social characteristics.

These percentages are measured according to the value of the investments.

### ● **How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?**

Derivatives may be used by the Fund for investment or efficient portfolio management (including hedging) purposes only. These instruments are not used to attain the environmental or social characteristics of the Fund.



## To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

Not applicable – the Investment Adviser does not take account of the EU Taxonomy in its management of the Fund and as such the Fund’s sustainable investments do not take into account the criteria for environmentally sustainable economic activities under the EU Taxonomy.

### ● Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy<sup>1</sup>?

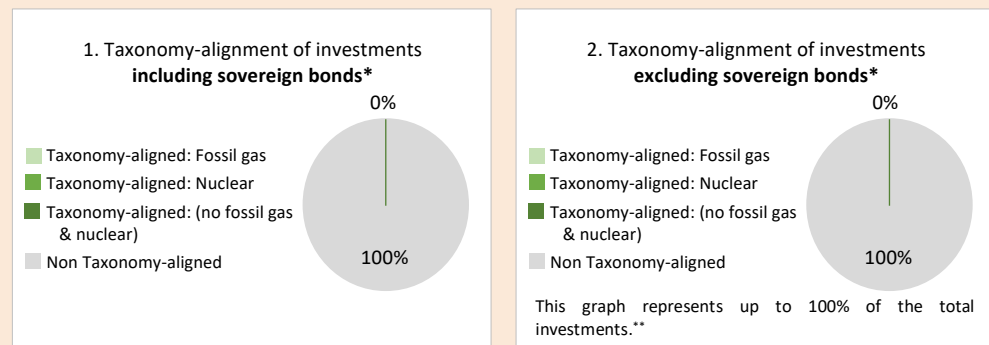
- Yes:  
 In fossil gas     In nuclear energy  
 No

To comply with EU Taxonomy, the criteria for **fossil gas** include limitations on emission and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

**Transitional activities** are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

*The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.*



\* For the purpose of these graphs, ‘sovereign bonds’ consist of all sovereign exposures.

\*\*The proportion of total investments shown in this graph is purely indicative and may vary over time. As the Fund does not commit to making sustainable investments aligned with the EU Taxonomy, the proportion of any sovereign exposure in the Fund’s portfolio will not impact the proportion of sustainable investments aligned with the EU Taxonomy included in the graph.

<sup>1</sup> Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change (“climate change mitigation”) and do not significantly harm any EU Taxonomy objective – see explanatory note in the left-hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

● ***What is the minimum share of investments in transitional and enabling activities?***

Not applicable - Although the Fund commits to invest in sustainable investments within the meaning of the SFDR, there is no commitment to a minimum share of investments in transitional and enabling activities.



are sustainable investments with an environmental objective that **do not take into account** the criteria for environmentally sustainable economic activities under the EU Taxonomy.

### What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?

The Fund intends to make a minimum of 40% sustainable investments, as defined under the SFDR, with a combination of environmental and social objectives, as described above. Among these, the Fund commits to make a minimum of 1% of sustainable investments with an environmental objective and 1% of sustainable investments with a social objective which can both vary independently at any time. These sustainable investments will represent at least 40% of the portfolio holdings on an aggregated basis.

The Fund's sustainable investments with an environmental objective **do not take into account the criteria** for environmentally sustainable economic activities under the EU Taxonomy.

Although some of these sustainable investments may be Taxonomy aligned, due to lack of available data regarding the Taxonomy alignment of the underlying securities, the Investment Adviser has not been able to confirm whether these investments are in fact Taxonomy aligned and accordingly will not consider them as such in calculations until this data is reported on or otherwise becomes more reliable. As such, the Investment Adviser uses its own methodology to determine whether certain investments are sustainable in accordance with the SFDR sustainable investment definition, and then invests in such assets for the Fund.



### What is the minimum share of socially sustainable investments?

As explained above, the Fund may make sustainable investments which contribute to either environmental or social objectives. Among these, the Fund commits to make a minimum of 1% of sustainable investments with an environmental objective and 1% of sustainable investments with a social objective which can both vary independently at any time. These sustainable investments will represent at least 40% of the portfolio holdings on an aggregated basis.



### What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?

The Fund may have investments in hedging instruments for efficient portfolio management and in cash as ancillary liquidity. These instruments are included in the “#2 Other” category and are not subject to environmental and/or social screening or any minimum environmental or social safeguards.



### Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?

Not applicable

**Reference benchmarks** are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.



## Where can I find more product specific information online?

More product-specific information can be found on the website:

[https://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite\\_msinvf\\_eurocorporatebond\\_en.pdf](https://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite_msinvf_eurocorporatebond_en.pdf)



**Pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852**

**Product name:**

Euro Corporate Bond – Duration Hedged Fund

**Legal entity identifier:**

549300AEOIVRQNYMMX43

## Environmental and/or social characteristics

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**.

That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

Does this financial product have a sustainable investment objective?	
<input checked="" type="radio"/> <input type="radio"/> <input type="checkbox"/> <b>Yes</b>	<input type="radio"/> <input checked="" type="radio"/> <input checked="" type="checkbox"/> <b>No</b>
<input type="checkbox"/> It will make a minimum of <b>sustainable investments with an environmental objective: ___%</b> <ul style="list-style-type: none"> <li><input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> </ul> <input type="checkbox"/> It will make a minimum of <b>sustainable investments with a social objective: ___%</b>	<input checked="" type="checkbox"/> It <b>promotes Environmental/Social (E/S) characteristics</b> and while it does not have as its objective a sustainable investment, it will have a minimum proportion of <u>40</u> % of sustainable investments <ul style="list-style-type: none"> <li><input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input checked="" type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> <li><input checked="" type="checkbox"/> with a social objective</li> </ul> <input type="checkbox"/> It promotes E/S characteristics, but <b>will not make any sustainable investments</b>



## What environmental and/or social characteristics are promoted by this financial product?

The Fund promotes the environmental characteristic of climate change mitigation by excluding investments in certain types of fossil fuels. In addition, the Fund promotes the social characteristic of avoiding investments in certain activities which can cause harm to human health and wellbeing.

Further detail on the nature of these exclusions is set out below (in response to the question, “*What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?*”).

The Fund also supports the above environmental and social characteristics by aiming to make a minimum of 40% sustainable investments in:

- Corporate issuers whose business practices, products or solutions, make a net positive contribution towards United Nations’ Sustainable Development Goals (“**SDGs**”); or
- Sustainable Bonds which make a positive environmental or social contribution through their use of proceeds, as explained in response to the question below, “*What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?*”.

The Fund has not designated a reference benchmark for the purpose of attaining its environmental or social characteristics.

**Sustainability indicators** measure how the environmental or social characteristics promoted by the financial product are attained.

### ● **What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?**

The sustainability indicator used to measure the attainment of the Fund’s environmental and social characteristics is the Fund’s exposure, in percentage market value, to issuers that violate any of the exclusion criteria. Additional details on the Fund’s exclusions criteria and methodology are provided below in response to the question, “*What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?*”

### ● **What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?**

The Fund’s sustainable investments will fall within one of the following categories:

- Green, Social or Sustainability Bonds (“Sustainable Bonds”), as labelled in the securities’ documentation, where the issuer commits to allocate the proceeds to projects making a positive environmental or social contribution. This includes, but is not limited to, bonds that align with the International Capital Market Association (ICMA)’s Green Bond Principles, Social Bond Principles, and Sustainability Bond Guidelines, and bonds which have been assessed through the Investment Adviser’s proprietary Sustainable Bond evaluation framework. Sustainable Bonds mobilise financing directly towards a variety of environmental and social projects whose focus spans across a number of sustainability objectives. Examples include, but are not limited to, financing for renewable energy, energy efficiency, clean transportation, affordable housing, and financial inclusion projects. The specific objectives to which the Sustainable Bonds contribute depend on the eligible environmental and social project categories of each security.
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all people enjoy peace and prosperity. They include environmental (e.g. Climate Action or Life on Land) and social (e.g. Good Health and Well-Being) objectives. The Investment Adviser defines positive contribution to the SDGs as a net positive aggregate alignment score across all the SDGs (i.e., scores measuring positive contribution to individual SDGs have to, in total, be greater than the total of any negative contribution scores), based on third-party data. The Investment Adviser will also only include issuers which have sufficient positive SDG alignment (in the Investment Adviser's view) with at least one individual SDG, and which do not have any material mis-alignments (in the Investment Adviser's view) on any of the SDGs.

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

● ***How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?***

The Fund's sustainable investments aim not to cause significant harm to any environmental or social objective, by:

- avoiding investments in issuers that violate minimum social safeguards; and
- by the Fund excluding issuers which breach thresholds set by the Investment Adviser relating to the principal adverse impact ("PAI") indicators which the Investment Adviser is required to consider by the EU Sustainable Finance Disclosure Regulation ("SFDR") rules, and which are relevant to the investment.

This assessment is conducted using in-house proprietary as well as third-party research on the sustainability characteristics of the Fund's holdings.

– ***How have the indicators for adverse impacts on sustainability factors been taken into account?***

The "do no significant harm" methodology applied by the Investment Adviser on sustainable investments seeks to exclude investments that cause harm to any of the PAI indicators (listed below) which are mandatory for the Investment Adviser to consider under the EU SFDR rules, and which are relevant to the investment.

PAI indicators:

**Investee companies**

1. GHG emissions
2. Carbon Footprint
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4. Exposure to companies active in the fossil sector
5. Share of non-renewable energy consumption and production
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7. Activities negatively affecting biodiversity sensitive areas
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9. Hazardous waste ratio
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13. Board gender diversity
14. Exposure to controversial weapons

The Investment Adviser has determined specific metrics and quantitative thresholds for what constitutes significant harm to screen PAI indicators that are relevant to the investment, using third-party data. The thresholds are set: (i) on an absolute value basis; (ii) on a relative basis in the context of the investment universe; or (iii) using pass/fail scores. Different metrics or thresholds may apply to issuers located in developed markets and in emerging markets, respectively. This is intended to reflect the different extent to which the Investment Adviser deems that meeting minimum sustainability standards in these markets is currently

achievable. In addition, different relative thresholds may apply to similar indicators: for example, the Investment Adviser currently applies a lower threshold to determine significant adverse impact with respect to scope 3 emissions intensity as compared to scope 1 and 2 emissions intensity. This is because: (i) companies have less control over their indirect emissions; and (ii) data estimates for scope 3 emissions, which currently prevail over reported data compared to scope 1 and 2 emissions, may result in a less accurate PAI assessment.

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The Investment Adviser generally conducts the PAI assessment at the issuer level. However, where appropriate the assessment may be done at the security level in whole or in part. For instance, in the case of Sustainable Bonds, as defined above, the PAI indicators that are directly related to the sustainability factors targeted by the bond's use of proceeds will be assessed at the security level, through the Investment Adviser's proprietary Sustainable Bond Evaluation Framework. As an example, the Fund may invest in a Green Bond issued by a utility company that has a negative assessment of the PAI indicators related to GHG emissions and/or GHG intensity, as long as the Investment Adviser evaluates that the issuer has a credible strategy to reduce its GHG emissions, and that the Green Bond specifically contributes towards such goal. Other PAI indicators that are unrelated to the Sustainable Bond's use of proceeds are still assessed at the issuer level.

The Fund's PAI assessment is supported, on a qualitative basis, by the Investment Adviser's engagement with selected issuers on their corporate governance practices, as well as on other material sustainability issues related to the SDGs, in line with the Investment Adviser's Fixed Income Engagement Strategy, available on [www.morganstanley.com/im](http://www.morganstanley.com/im)

- *How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:*

The Fund's sustainable investments exclude issuers which have experienced very severe controversies that are deemed to violate the UN Global Compact, the UN Guiding Principles on Business and Human Rights, or the ILO Fundamental Principles, and issuers with very severe controversies related to violations of the OECD Guidelines for Multinational Enterprises. This screening is done using third-party data.

*The EU Taxonomy sets out a “do not significant harm” principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.*

*The “do no significant harm” principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.*

*Any other sustainable investments must also not significantly harm any environmental or social objectives.*

Regulation requires that this document include these statements. However, for the avoidance of doubt, this Fund does not: (i) take into account the EU criteria for environmentally sustainable economic activities in the EU Taxonomy; or (ii) calculate its portfolio alignment with the EU Taxonomy. As such, the Fund is 0% aligned with the EU Taxonomy. The “do no significant harm” principle applies only to the portion of the Fund’s investments that are sustainable investments.



### Does this financial product consider principal adverse impacts on sustainability factors?

- Yes  
 No

The Fund considers all of the mandatory PAI on sustainability factors which are relevant to the investment for the portion allocated to sustainable investments, as described above in response to the question, “How have the indicators for adverse impacts on sustainability factors been taken into account?”

The portion of the Fund that is not made of sustainable investments considers the PAI only in part through the Fund’s exclusionary criteria, as follows:

- The Fund excludes issuers which derive any revenue from thermal coal mining and extraction. The Fund therefore partly considers the PAI indicator 4: exposure to companies active in the fossil fuel sector.
- The Fund excludes issuers which derive any revenue from controversial weapons manufacturing or retail. The Fund therefore considers in whole the PAI indicator 14: exposure to controversial weapons.

The Fund will make information available on how it has incorporated the PAIs into the Fund in its periodic reports to investors.



### What investment strategy does this financial product follow?

The Fund aims to provide an attractive rate of relative return, measured in Euro, while seeking to reduce the Fund’s exposure to market interest rate movements by hedging the duration of the Fund. The Fund will primarily invest in high quality issues of Euro denominated fixed income securities, issued by corporations and other non-government related issuers, while reducing exposure to sustainability risks through exclusionary screening of selected fossil fuels and of activities which can cause dangers to human health and wellbeing.

In addition to the ESG considerations described in this summary on a binding basis, the Fund integrates ESG considerations in the investment decision-making process to support its

**The investment strategy** guides investment decisions based on factors such as investment objectives and risk tolerance.

environmental and social characteristics on a non-binding basis, based on the Investment Adviser’s in-house research and methodologies and on third-party data.

The investment process is subject to regular review, as part of a control and monitoring framework implemented by the Investment Adviser. The Investment Adviser’s Compliance, Risk and Portfolio Surveillance teams collaborate with the investment team to conduct regular portfolio/performance reviews and systemic checks to ensure compliance with portfolio investment objectives and environmental and social characteristics, taking into account changing market conditions, information and strategy developments.

● **What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?**

The binding elements of the investment strategy are described in the table below.

The criteria are implemented and monitored by the Investment Adviser using a combination of third-party data and in-house research.

<b>Binding criteria</b>	
<b>The Fund will not invest in corporate issuers which:</b>	<p><b><u>Derive any revenue from any of the following activities:</u></b></p> <ul style="list-style-type: none"> <li>• Controversial weapons manufacturing or retail (anti-personnel landmines, cluster munitions, biological or chemical weapons, and nuclear weapons);</li> <li>• Civilian firearms manufacturing or retail;</li> <li>• Tobacco manufacturing; or</li> </ul> <p><b><u>Derive more than 5% revenue from any of the following activities:</u></b></p> <ul style="list-style-type: none"> <li>• Thermal coal mining and extraction. The Fund may, as an exception, invest in labelled Sustainable Bonds issued by fossil fuel companies, which are intended to raise proceeds specifically for projects that promote positive environmental contributions mitigating the adverse sustainability impact of coal, such as renewable energy or energy efficiency, based on information available in the bond issuance documentation.</li> </ul>
<b>Sustainable investments</b>	<p>The Fund will maintain a minimum of 40% of sustainable investments, which meet the criteria as set out in response to the question, “<i>What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?</i>”</p>

**Good governance** practices include sound management structures, employee relations, remuneration of staff and tax compliance.

The Investment Adviser may decide to implement additional restrictions to the Fund, and such new restrictions will be disclosed in the Fund’s SFDR Website Disclosure.

● **What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?**

The Fund does not target a specific reduction rate of the scope of investments.

● **What is the policy to assess good governance practices of the investee companies?**

As part of its bottom-up, fundamental research process, the Investment Adviser systematically incorporates the assessment of an issuer’s corporate governance and business practices, including but not limited to evidence of sound management structures and employee relations, fair remuneration of staff, and tax compliance, in order to ensure that every investee company follows good governance practices.

This is done through the monitoring of data on governance-related, as well as on other environmental and/or social factors and controversies, sourced from third party providers, through in-house research, and through engagement with the management of selected issuers on corporate governance and disclosure issues.

In addition, the Fund's sustainable investments exclude any company that is involved in very severe governance-related controversies.



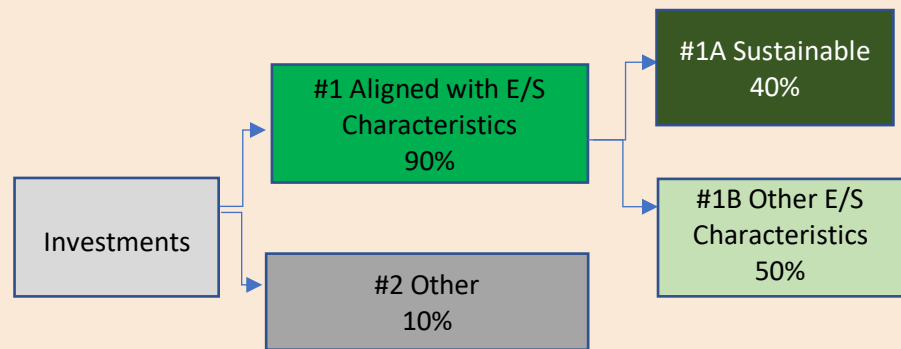
### Asset allocation

describes the share of investments in specific assets.

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.

## What is the asset allocation planned for this financial product?



**#1 Aligned with E/S characteristics** includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

**#2 Other** includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

The category **#1 Aligned with E/S characteristics** covers:

- The sub-category **#1A Sustainable** covers sustainable investments with environmental or social objectives.
- The sub-category **#1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.

The exclusions (as described above) will be applied to at least 90% of the portfolio, of which the Fund also expects to allocate a minimum of 40% of its assets to sustainable investments. Among these sustainable investments, the Fund commits to make a minimum of 1% of sustainable investments with an environmental objective and 1% of sustainable investments with a social objective which can both vary independently at any time.

A maximum of 10% of the Fund's assets may be invested in hedging and/or cash instruments for efficient portfolio management purposes, which do not align with any environmental or social characteristics.

These percentages are measured according to the value of the investments.

● **How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?**

Derivatives may be used by the Fund for investment or efficient portfolio management (including hedging) purposes only. These instruments are not used to attain the environmental or social characteristics of the Fund.



**To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?**

Not applicable – the Investment Adviser does not take account of the EU Taxonomy in its management of the Fund and as such the Fund’s sustainable investments do not take into account the criteria for environmentally sustainable economic activities under the EU Taxonomy.

● **Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy<sup>1</sup>?**

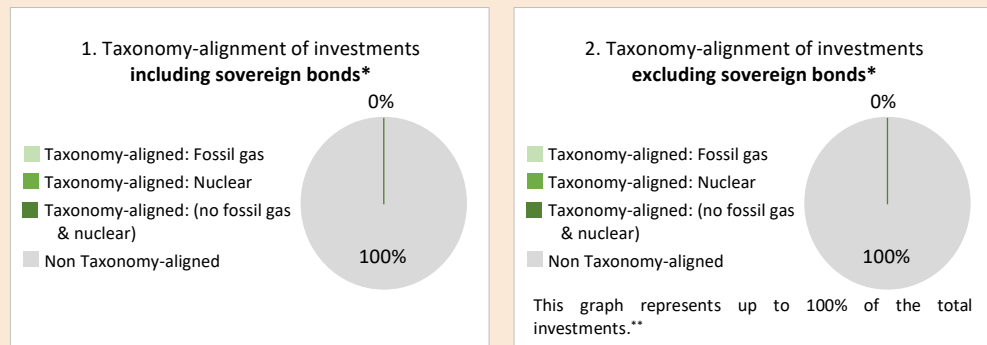
- Yes:
  - In fossil gas     In nuclear energy
- No

To comply with EU Taxonomy, the criteria for **fossil gas** include limitations on emission and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

**Transitional activities** are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

*The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.*



\* For the purpose of these graphs, ‘sovereign bonds’ consist of all sovereign exposures.  
 \*\*The proportion of total investments shown in this graph is purely indicative and may vary over time. As the Fund does not commit to making sustainable investments aligned with the EU Taxonomy, the proportion of any sovereign exposure in the Fund’s portfolio will not impact the proportion of sustainable investments aligned with the EU Taxonomy included in the graph.

<sup>1</sup> Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change (“climate change mitigation”) and do not significantly harm any EU Taxonomy objective – see explanatory note in the left-hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.



● **What is the minimum share of investments in transitional and enabling activities?**

Not applicable - Although the Fund commits to invest in sustainable investments within the meaning of the SFDR, there is no commitment to a minimum share of investments in transitional and enabling activities.



**What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?**

The Fund intends to make a minimum of 40% sustainable investments, as defined under the SFDR, with a combination of environmental and social objectives, as described above. Among these, the Fund commits to make a minimum of 1% of sustainable investments with an environmental objective and 1% of sustainable investments with a social objective which can both vary independently at any time. These sustainable investments will represent at least 40% of the portfolio holdings on an aggregated basis.

The Fund's sustainable investments with an environmental objective **do not take into account the criteria** for environmentally sustainable economic activities under the EU Taxonomy.

Although some of these sustainable investments may be Taxonomy aligned, due to lack of available data regarding the Taxonomy alignment of the underlying securities, the Investment Adviser has not been able to confirm whether these investments are in fact Taxonomy aligned and accordingly will not consider them as such in calculations until this data is reported on or otherwise becomes more reliable. As such, the Investment Adviser uses its own methodology to determine whether certain investments are sustainable in accordance with the SFDR sustainable investment definition, and then invests in such assets for the Fund.



are sustainable investments with an environmental objective that **do not take into account** the criteria for environmentally sustainable economic activities under the EU Taxonomy.



**What is the minimum share of socially sustainable investments?**

As explained above, the Fund may make sustainable investments which contribute to either environmental or social objectives. Among these, the Fund commits to make a minimum of 1% of sustainable investments with an environmental objective and 1% of sustainable investments with a social objective which can both vary independently at any time. These sustainable investments will represent at least 40% of the portfolio holdings on an aggregated basis.



**What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?**

The Fund may have investments in hedging instruments for efficient portfolio management and in cash as ancillary liquidity. These instruments are included in the “#2 Other” category and are not subject to environmental and/or social screening or any minimum environmental or social safeguards.



**Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?**

Not applicable

**Reference benchmarks** are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.



## Where can I find more product specific information online?

More product-specific information can be found on the website:

[https://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite\\_msinvf\\_eurocorporatebonddurationhedged\\_en.pdf](https://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite_msinvf_eurocorporatebonddurationhedged_en.pdf)

**Pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852**

**Product name:**  
Euro Strategic Bond Fund

**Legal entity identifier:**  
WJ0VQQOXBWMTM18MSW75

## Environmental and/or social characteristics

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**.

That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

Does this financial product have a sustainable investment objective?	
●● <input type="checkbox"/> Yes	●● <input checked="" type="checkbox"/> No
<input type="checkbox"/> It will make a minimum of <b>sustainable investments with an environmental objective: ___%</b> <ul style="list-style-type: none"> <li><input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> </ul> <input type="checkbox"/> It will make a minimum of <b>sustainable investments with a social objective: ___%</b>	<input checked="" type="checkbox"/> It <b>promotes Environmental/Social (E/S) characteristics</b> and while it does not have as its objective a sustainable investment, it will have a minimum proportion of <u>30</u> % of sustainable investments <ul style="list-style-type: none"> <li><input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input checked="" type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> <li><input checked="" type="checkbox"/> with a social objective</li> </ul> <input type="checkbox"/> It promotes E/S characteristics, but <b>will not make any sustainable investments</b>



## What environmental and/or social characteristics are promoted by this financial product?

The Fund promotes the environmental characteristic of climate change mitigation by excluding investments in certain types of fossil fuels. In addition, the Fund promotes the social characteristic of avoiding investments in activities which can cause harm to human health and wellbeing, in sovereign issuers that significantly violate social rights, and securitisations that violate responsible business or lending practices.

Further detail on the nature of these exclusions is set out below (in response to the question, *“What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?”*).

The Fund also aims to make a minimum of 30% sustainable investments in:

- Corporate issuers whose business practices, products or solutions, make a net positive contribution towards United Nations’ Sustainable Development Goals (“SDGs”);
- Sovereign issuers with ESG scores in the top-2 ranks according to the Investment Adviser’s proprietary scoring methodology, associated with positive environmental or social attributes; or
- Sustainable Bonds, from any type of issuer, which make a positive environmental or social contribution through their use of proceeds, as explained in response to the question below, *“What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?”*

The Fund has not designated a reference benchmark for the purpose of attaining its environmental or social characteristics.

**Sustainability indicators** measure how the environmental or social characteristics promoted by the financial product are attained.

### ● **What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?**

The sustainability indicator used to measure the attainment of the Fund’s environmental and social characteristics is the Fund’s exposure, in percentage market value, to issuers that violate any of the exclusion criteria. Additional details on the Fund’s exclusions criteria and methodology are provided below in response to the question, *“What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?”*

### ● **What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?**

The Fund’s sustainable investments will fall within one of the following categories:

- Green, Social or Sustainability Bonds (“Sustainable Bonds”), as labelled in the securities’ documentation, where the issuer commits to allocate the proceeds to projects making a positive environmental or social contribution. This includes, but is not limited to, bonds that align with the International Capital Market Association (ICMA)’s Green Bond Principles, Social Bond Principles, and Sustainability Bond Guidelines, and bonds which have been assessed through the Investment Adviser’s proprietary Sustainable Bond evaluation framework. Sustainable Bonds mobilise financing directly towards a multiplicity of environmental and

social projects whose focus spans across a number of sustainability objectives. Examples include, but are not limited to, financing for renewable energy, energy efficiency, clean transportation, affordable housing, and financial inclusion projects. The specific objectives to which the Sustainable Bonds contribute depend on the eligible environmental and social project categories of each security.

- Bonds from corporate issuers whose business practices, products or solutions, make a net positive contribution towards the SDGs. The SDGs were adopted by the United Nations in 2015 as a universal call to action to end poverty, protect the planet and ensure that by 2030 all people enjoy peace and prosperity. The Investment Adviser defines positive contribution to the SDGs as a net positive aggregate alignment score across all the SDGs (i.e., scores measuring positive contribution to individual SDGs have to, in total, be greater than the total of any negative contribution scores), based on third-party data. The Investment Adviser will also only include issuers which have sufficient positive SDG alignment (in the Investment Adviser's view) with at least one individual SDG, and which do not have any material misalignments (in the Investment Adviser's view) on any of the SDGs.
- Bonds from sovereign issuers with an ESG rank of 4 or 5, in a 1-5 range where 5 is best, based on the Investment Adviser's proprietary ESG scoring methodology. Ranks of 4 and 5 reflect a country's positive contribution towards environmental and social themes such as decarbonisation, forestry conservation, promotion of education, health and wellbeing, and good living standards. The Investment Adviser will, however, not treat the investment as sustainable if the sovereign issuer ranked 4 or 5 has experienced recent negative momentum as assessed through in-house research, which is not captured by ESG data providers. For example, this may include circumstances where a country is facing significant political and/or social instability.

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

● ***How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?***

The Fund's sustainable investments aim not to cause significant harm to any environmental or social objective, by:

- avoiding investments in issuers that violate minimum social safeguards; and
- by the Fund excluding issuers which breach thresholds set by the Investment Advisers relating to the principal adverse impact ("PAI") indicators which the Investment Adviser is required to consider by the EU Sustainable Finance Disclosure Regulation ("SFDR") rules, and which are relevant to the investment.

This assessment is conducted using in-house proprietary as well as third-party research on the sustainability characteristics of the Fund's holdings.

– ***How have the indicators for adverse impacts on sustainability factors been taken into account?***

The "do no significant harm" methodology applied by the Investment Adviser on sustainable investments seeks to exclude investments that cause harm to any of the PAI indicators (listed below) which are mandatory for the Investment Adviser to consider under the EU SFDR rules, and which are relevant to the investment.

PAI indicators:

**Investee companies**

1. GHG emissions
2. Carbon Footprint
3. GHG intensity of investee companies
4. Exposure to companies active in the fossil sector

5. Share of non-renewable energy consumption and production
6. Energy consumption intensity per high impact climate sector
7. Activities negatively affecting biodiversity sensitive areas
8. Emissions to water
9. Hazardous waste ratio
10. Violations of UN Global Compact and OECD
11. Lack of processes and compliance mechanisms to monitor compliance with the UNGC and OECD
12. Unadjusted gender pay gap
13. Board gender diversity
14. Exposure to controversial weapons

### **Sovereign**

1. Sovereign GHG intensity
2. Investee countries subject to social violations

The Investment Adviser has determined specific metrics and quantitative thresholds for what constitutes significant harm to screen PAI indicators that are relevant to the investment, using third-party data as well as in-house research. The thresholds are set: (i) on an absolute value basis; (ii) on a relative basis in the context of the investment universe; or (iii) using pass/fail scores. Different metrics or thresholds may apply to issuers located in developed markets and in emerging markets, respectively. This is intended to reflect the different extent to which the Investment Adviser deems that meeting minimum sustainability standards in these markets is currently achievable. In addition, different relative thresholds may apply to similar indicators: for example, the Investment Adviser currently applies a lower threshold to determine significant adverse impact with respect to scope 3 emissions intensity as compared to scope 1 and 2 emissions intensity. This is because: (i) companies have less control over their indirect emissions; and (ii) data estimates for scope 3 emissions, which currently prevail over reported data compared to scope 1 and 2 emissions, may result in a less accurate PAI assessment.

The Investment Adviser may use reasonable proxy indicators sourced from third parties to address the current lack of data for certain PAI indicators. The Investment Adviser's use of proxy indicators will be kept under review and will be replaced by PAI data from third-party data providers, when the Investment Adviser determines that sufficiently reliable data has become available.

The Investment Adviser generally conducts the PAI assessment at the issuer level. However, where appropriate the assessment may be done at the security level in whole or in part. For instance, in the case of Sustainable Bonds, as defined above, the PAI indicators that are directly related to the sustainability factors targeted by the bond's use of proceeds will be assessed at the security level, through the Investment Adviser's proprietary Sustainable Bond Evaluation Framework. As an example, the Fund may invest in a Green Bond issued by a utility company that has a negative assessment of the PAI indicators related to GHG emissions and/or GHG intensity, as long as the Investment Adviser evaluates that the issuer has a credible strategy to reduce its GHG emissions, and that the Green Bond specifically contributes towards such goal. Other PAI indicators that are unrelated to the Sustainable Bond's use of proceeds are still assessed at the issuer level.

The Fund's PAI assessment is supported, on a qualitative basis, by the Investment Adviser's engagement with selected issuers on their corporate governance practices, as well as on other material sustainability issues related to the SDGs, in line with the Investment Adviser's Fixed Income Engagement Strategy, available on [www.morganstanley.com/im](http://www.morganstanley.com/im).

- *How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:*

The Fund’s sustainable investments exclude issuers which have experienced very severe controversies that are deemed to violate the UN Global Compact, the UN Guiding Principles on Business and Human Rights, or the ILO Fundamental Principles, and issuers with very severe controversies related to violations of the OECD Guidelines for Multinational Enterprises. This screening is done using third-party data.

*The EU Taxonomy sets out a “do not significant harm” principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.*

*The “do no significant harm” principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.*

*Any other sustainable investments must also not significantly harm any environmental or social objectives.*

Regulation requires that this document include these statements. However, for the avoidance of doubt, this Fund does not: (i) take into account the EU criteria for environmentally sustainable economic activities in the EU Taxonomy; or (ii) calculate its portfolio alignment with the EU Taxonomy. As such, the Fund is 0% aligned with the EU Taxonomy. The “do no significant harm” principle applies only to the portion of the Fund’s investments that are sustainable investments.



### Does this financial product consider principal adverse impacts on sustainability factors?

- Yes  
 No

The Fund considers all of the mandatory PAI on sustainability factors which are relevant to the investment for the portion allocated to sustainable investments, as described above in response to the question, “How have the indicators for adverse impacts on sustainability factors been taken into account?”

The portion of the Fund that is not made of sustainable investments considers the PAI only in part through the Fund’s exclusionary criteria, as follows:

- The Fund excludes issuers which derive any revenue from thermal coal mining and extraction. The Fund therefore partly considers the PAI indicator 4: exposure to companies active in the fossil fuel sector.
- The Fund excludes issuers which derive any revenue from controversial weapons manufacturing or retail. The Fund therefore considers in whole the PAI indicator 14: exposure to controversial weapons.
- The Fund excludes sovereign issuers where there is evidence of them having caused significant harm from social violations, which the Investment Adviser defines in relation to the bottom-10% ranked countries on an indicator reflecting the fulfilment of social rights, as further explained in response to the question, “What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social

*characteristics promoted by this financial product?"* The Fund therefore considers in part the PAI indicator number 16: investee countries subject to social violations.

The Fund will make information available on how it has incorporated the PAIs into the Fund in its periodic reports to investors.



## What investment strategy does this financial product follow?

The Fund aims to provide an attractive rate of relative return, measured in Euro, through investments primarily in issues of Euro denominated fixed income securities whether issued by corporations, government or government guaranteed issuers, while reducing exposure to sustainability risks through exclusionary screening of selected fossil fuels and of activities which can cause dangers to human health and wellbeing, of sovereign issuers that violate social rights, and of securitisations that violate responsible business or lending practices.

In addition to the ESG considerations described in this summary on a binding basis, the Fund integrates ESG considerations in the investment decision-making process to support its environmental and social characteristics on a non-binding basis, based on the Investment Adviser's in-house research and methodologies and on third-party data.

The investment process is subject to regular review, as part of a control and monitoring framework implemented by the Investment Adviser. The Investment Adviser's Compliance, Risk and Portfolio Surveillance teams collaborate with the investment team to conduct regular portfolio/performance reviews and systemic checks to ensure compliance with portfolio investment objectives and environmental and social characteristics, taking into account changing market conditions, information and strategy developments.

**The investment strategy** guides investment decisions based on factors such as investment objectives and risk tolerance.

### ● **What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?**

The binding elements of the investment strategy are described in the table below.

The criteria are implemented and monitored by the Investment Adviser using a combination of third-party data and in-house research.

Binding criteria	
<p><b>The Fund will not invest in corporate issuers which:</b></p>	<p><b><u>Derive any revenue from any of the following activities:</u></b></p> <ul style="list-style-type: none"> <li>• Controversial weapons manufacturing or retail (anti-personnel landmines, cluster munitions, biological or chemical weapons, and nuclear weapons);</li> <li>• Civilian firearms manufacturing or retail;</li> <li>• Tobacco manufacturing; or</li> </ul> <p><b><u>Derive more than 5% revenue from any of the following activities:</u></b></p> <ul style="list-style-type: none"> <li>• Thermal coal mining and extraction. The Fund may, as an exception, invest in labelled Sustainable Bonds issued by fossil fuel companies, which are intended to raise proceeds specifically for projects that promote positive environmental contributions mitigating the adverse sustainability impact of coal, such as renewable energy or energy efficiency, based on information available in the bond issuance documentation.</li> </ul>
<p><b>The Fund will not invest in sovereign issuers which:</b></p>	<p>Are in the bottom-10% ranked countries for social violations, based on the Investment Adviser's custom indicator.</p>



	<p>The social violations custom indicator is calculated by the Investment Adviser taking into consideration a country's performance on issues including, but not limited to, the application of human rights and civil liberties, the quality of contract enforcement and security, freedom of expression, association and free media, as assessed by underlying data from third parties.</p> <p>Investments that are held by the Fund but become restricted because they breach the investment exclusions set out above, after they are acquired for the Fund, will be sold. Such sales will take place over a period of time to be determined by the Investment Adviser, taking into account the best interests of the shareholders of the Fund</p> <p>In addition, any investments in sovereign issuers exhibiting positive momentum with respect to such violations, shall not be subject to the purchase restriction. For example, if a country is in the process of making significant remediation efforts, such as through electoral or policy reforms and engagement with civil society, with regard to any social violations, the Investment Adviser may not exclude the investment from the Fund, provided this is kept under review by the Investment Adviser.</p>
<p><b>The Fund will not invest in securitisations in which:</b></p>	<ul style="list-style-type: none"> <li>• The underlying loans show evidence of predatory lending, as determined by the applicable usury laws, and in the context of market rates and borrower's risk profile;*</li> <li>• The lender or servicer of the underlying assets has committed a severe breach of consumer protection standards: <ul style="list-style-type: none"> <li>○ as established by the Consumer Financial Protection Bureau (CFPB) in the United States; or</li> <li>○ as established by any relevant regulatory and supervisory agency in the jurisdiction where the securitisation's originator and/or collateral are located;</li> </ul> <p>if the breach relates to the securitisation's underlying collateral, underwriting and servicing practices, unless there is evidence of the breach having been or being remediated;** or</p> </li> <li>• The originator, lender or servicers has been involved in controversy cases related to business ethics and fraud that the Investment Adviser views as "Very Severe" based on data by relevant ESG data providers, and where the Investment Adviser considers appropriate remedial action has not been taken.</li> </ul> <p>* A loan is considered a predatory loan if:</p> <ul style="list-style-type: none"> <li>• Interest rates do not comply with U.S. usury laws or the equivalent in other jurisdictions; or</li> <li>• Interest rates being offered exceed a limit for which the Investment Adviser deems to be exceedingly higher than the industry standard. The Investment Adviser may choose to proceed with an investment where interest rates where interest rates surpass this level if following enhanced due diligence (including through direct engagement with the lending team and/or servicing department on the securitisation deal), the Investment Adviser determines that access to the loan is still beneficial to the borrower when taking into consideration its risk profile and alternative borrowing options. The interest rate levels which are considered industry standard are subject to periodic review by the Investment Adviser, based on the</li> </ul>

	<p>prevailing market conditions and prevailing rates across the industry at the time.</p> <p>** This exclusion criterion does not apply to lenders or servicers of U.S. government sponsored mortgage-backed securities, as their compliance of such securitisations with local regulatory standards is already monitored by the U.S. government on an ongoing basis. Such investments will be considered to fall within “#1 Aligned with E/S characteristics”, in response to the question, “<i>What is the asset allocation planned for this financial product?</i>”</p>
<b>Sustainable investments</b>	<p>The Fund will maintain a minimum of 30% of sustainable investments, which meet the criteria as set out in response to the question, “<i>What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?</i>”</p>

The Investment Adviser may decide to implement additional restrictions to the Fund, and such new restrictions will be disclosed in the Fund’s SFDR Website Disclosure.

**Good governance** practices include sound management structures, employee relations, remuneration of staff and tax compliance.

● ***What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?***

The Fund does not target a specific reduction rate of the scope of investments.

● ***What is the policy to assess good governance practices of the investee companies?***

As part of its bottom-up, fundamental research process, the Investment Adviser systematically incorporates the assessment of an issuer’s corporate governance and business practices, including but not limited to evidence of sound management structures and employee relations, fair remuneration of staff, and tax compliance, in order to ensure that every investee company follows good governance practices.

This is done through the monitoring of data on governance-related, as well as on other environmental and/or social factors and controversies, sourced from third party providers, through in-house research, and through engagement with the management of selected issuers on corporate governance and disclosure issues.

In addition, the Fund’s sustainable investments exclude any company that is involved in very severe governance-related controversies.



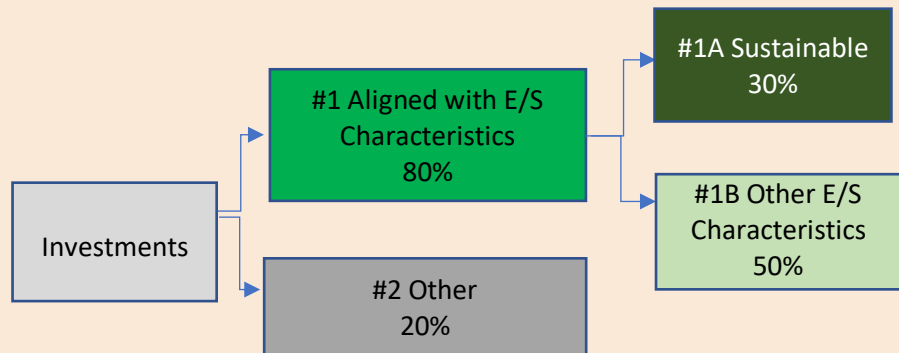
### Asset allocation

describes the share of investments in specific assets.

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies

## What is the asset allocation planned for this financial product?



**#1 Aligned with E/S characteristics** includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

**#2 Other** includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

The category **#1 Aligned with E/S characteristics** covers:

- The sub-category **#1A Sustainable** covers sustainable investments with environmental or social objectives.
- The sub-category **#1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.

The exclusions (as described above) will be applied to at least 80% of the portfolio, however the Fund also expects to allocate a minimum of 30% of its assets to sustainable investments. Among these sustainable investments, the Fund commits to make a minimum of 1% of sustainable investments with an environmental objective and 1% of sustainable investments with a social objective which can both vary independently at any time.

A maximum of 20% of the Fund's assets may be invested in hedging and/or cash instruments for efficient portfolio management purposes, which do not align with any environmental or social characteristics.

As explained above, any investments that are held by the Fund but become restricted because they breach the investment exclusions set out above, after they are acquired for the Fund, will be sold. Such sales will take place over a period of time to be determined by the Investment Adviser, taking into account the best interests of the shareholders of the Fund. Such investments are included in the "#2 Other" category.

These percentages are measured according to the value of the investments.

### ● **How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?**

Derivatives may be used by the Fund for investment or efficient portfolio management (including hedging) purposes only. These instruments are not used to attain the environmental or social characteristics of the Fund.



## To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

Not applicable – the Investment Adviser does not take account of the EU Taxonomy in its management of the Fund and as such the Fund’s sustainable investments do not take into account the criteria for environmentally sustainable economic activities under the EU Taxonomy.

### ● Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy<sup>1</sup>?

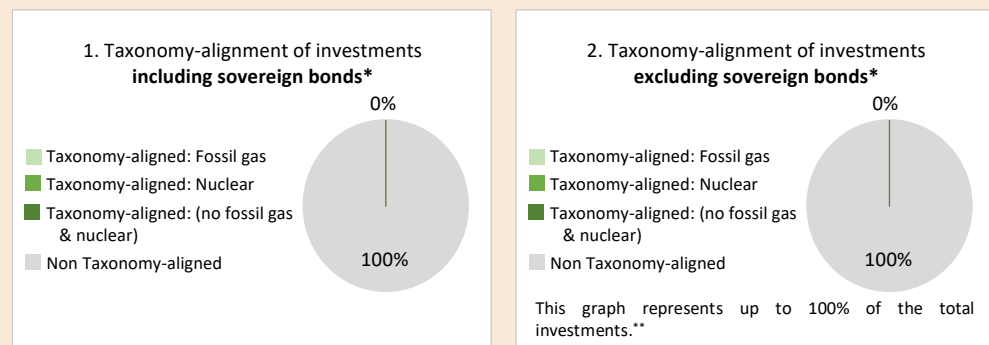
- Yes:  
 In fossil gas     In nuclear energy  
 No

To comply with EU Taxonomy, the criteria for **fossil gas** include limitations on emission and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

**Transitional activities** are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

*The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.*



\* For the purpose of these graphs, ‘sovereign bonds’ consist of all sovereign exposures.

\*\*The proportion of total investments shown in this graph is purely indicative and may vary over time. As the Fund does not commit to making sustainable investments aligned with the EU Taxonomy, the proportion of any sovereign exposure in the Fund’s portfolio will not impact the proportion of sustainable investments aligned with the EU Taxonomy included in the graph.

### ● What is the minimum share of investments in transitional and enabling activities?

Not applicable - Although the Fund commits to invest in sustainable investments within the meaning of the SFDR, there is no commitment to a minimum share of investments in transitional and enabling activities.

<sup>1</sup> Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change (“climate change mitigation”) and do not significantly harm any EU Taxonomy objective – see explanatory note in the left-hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.



are sustainable investments with an environmental objective that **do not take into account** the criteria for environmentally sustainable economic activities under the EU Taxonomy.

## What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?

The Fund intends to make a minimum of 30% sustainable investments, as defined under the SFDR, with a combination of environmental and social objectives, as described above. Among these, the Fund commits to make a minimum of 1% of sustainable investments with an environmental objective and 1% of sustainable investments with a social objective which can both vary independently at any time. These sustainable investments will represent at least 30% of the portfolio holdings on an aggregated basis.

The Fund's sustainable investments with an environmental objective **do not take into account the criteria** for environmentally sustainable economic activities under the EU Taxonomy.

Although some of these sustainable investments may be Taxonomy aligned, due to lack of available data regarding the Taxonomy alignment of the underlying securities, the Investment Adviser has not been able to confirm whether these investments are in fact Taxonomy aligned and accordingly will not consider them as such in calculations until this data is reported on or otherwise becomes more reliable. As such, the Investment Adviser uses its own methodology to determine whether certain investments are sustainable in accordance with the SFDR sustainable investment definition, and then invests in such assets for the Fund.



## What is the minimum share of socially sustainable investments?

As explained above, the Fund may make sustainable investments which contribute to either environmental or social objectives. Among these, the Fund commits to make a minimum of 1% of sustainable investments with an environmental objective and 1% of sustainable investments with a social objective which can both vary independently at any time. These sustainable investments will represent at least 30% of the portfolio holdings on an aggregated basis.



## What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?

The Fund may have investments in hedging instruments for efficient portfolio management and in cash as ancillary liquidity. These instruments are included in the “#2 Other” category and are not subject to environmental and/or social screening or any minimum environmental or social safeguards.



**Reference benchmarks** are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.

## Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?

Not applicable



## Where can I find more product specific information online?

More product-specific information can be found on the website:

[https://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite\\_msinvf\\_eurostrategicbond\\_en.pdf](https://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite_msinvf_eurostrategicbond_en.pdf)

**Pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852**

**Product name:**

European Fixed Income Opportunities Fund

**Legal entity identifier:**

549300NSR0FF1GG4P265

## Environmental and/or social characteristics

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**.

That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

Does this financial product have a sustainable investment objective?	
●● <input type="checkbox"/> Yes	●● <input checked="" type="checkbox"/> No
<input type="checkbox"/> It will make a minimum of <b>sustainable investments with an environmental objective: ___%</b> <ul style="list-style-type: none"> <li><input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> </ul> <input type="checkbox"/> It will make a minimum of <b>sustainable investments with a social objective: ___%</b>	<input checked="" type="checkbox"/> It <b>promotes Environmental/Social (E/S) characteristics</b> and while it does not have as its objective a sustainable investment, it will have a minimum proportion of <u>30</u> % of sustainable investments <ul style="list-style-type: none"> <li><input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input checked="" type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> <li><input checked="" type="checkbox"/> with a social objective</li> </ul> <input type="checkbox"/> It promotes E/S characteristics, but <b>will not make any sustainable investments</b>



## What environmental and/or social characteristics are promoted by this financial product?

The Fund promotes the environmental characteristic of climate change mitigation by excluding investments in certain types of fossil fuels. In addition, the Fund promotes the social characteristic of avoiding investments in activities which can cause harm to human health and wellbeing, in sovereign issuers that significantly violate social rights, and securitisations that violate responsible business or lending practices.

Further detail on the nature of these exclusions is set out below (in response to the question, “*What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?*”).

The Fund also aims to make a minimum of 30% sustainable investments in:

- Corporate issuers whose business practices, products or solutions, make a net positive contribution towards United Nations’ Sustainable Development Goals (“SDGs”);
- Sovereign issuers with ESG scores in the top-2 ranks according to the Investment Adviser’s proprietary scoring methodology, associated with positive environmental or social attributes; or
- Sustainable Bonds, from any type of issuer, which make a positive environmental or social contribution through their use of proceeds, as explained in response to the question below, “*What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?*”

The Fund has not designated a reference benchmark for the purpose of attaining its environmental or social characteristics.

**Sustainability indicators** measure how the environmental or social characteristics promoted by the financial product are attained.

### ● **What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?**

The sustainability indicator used to measure the attainment of the Fund’s environmental and social characteristics is the Fund’s exposure, in percentage market value, to issuers that violate any of the exclusion criteria. Additional details on the Fund’s exclusions criteria and methodology are provided below in response to the question, “*What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?*”

### ● **What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?**

The Fund’s sustainable investments will fall within one of the following categories:

- Green, Social or Sustainability Bonds (“Sustainable Bonds”), as labelled in the securities’ documentation, where the issuer commits to allocate the proceeds to projects making a positive environmental or social contribution. This includes, but is not limited to, bonds that align with the International Capital Market Association (ICMA)’s Green Bond Principles, Social Bond Principles, and Sustainability Bond Guidelines, and bonds which have been assessed through the Investment Adviser’s proprietary Sustainable Bond evaluation framework. Sustainable Bonds mobilise financing directly towards a multiplicity of environmental and social projects whose focus spans across a number of sustainability objectives. Examples include, but are not limited to, financing for renewable energy, energy efficiency, clean transportation, affordable housing, and financial inclusion projects. The specific objectives to which the Sustainable Bonds contribute depend on the eligible environmental and social project categories of each security.

- Bonds from corporate issuers whose business practices, products or solutions, make a net positive contribution towards the SDGs. The SDGs were adopted by the United Nations in 2015 as a universal call to action to end poverty, protect the planet and ensure that by 2030 all people enjoy peace and prosperity. The Investment Adviser defines positive contribution to the SDGs as a net positive aggregate alignment score across all the SDGs (i.e., scores measuring positive contribution to individual SDGs have to, in total, be greater than the total of any negative contribution scores), based on third-party data. The Investment Adviser will also only include issuers which have sufficient positive SDG alignment (in the Investment Adviser's view) with at least one individual SDG, and which do not have any material misalignments (in the Investment Adviser's view) on any of the SDGs.
- Bonds from sovereign issuers with an ESG rank of 4 or 5, in a 1-5 range where 5 is best, based on the Investment Adviser's proprietary ESG scoring methodology. Ranks of 4 and 5 reflect a country's positive contribution towards environmental and social themes such as decarbonisation, forestry conservation, promotion of education, health and wellbeing, and good living standards. The Investment Adviser will, however, not treat the investment as sustainable if the sovereign issuer ranked 4 or 5 has experienced recent negative momentum as assessed through in-house research, which is not captured by ESG data providers. For example, this may include circumstances where a country is facing significant political and/or social instability.

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

● ***How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?***

The Fund's sustainable investments aim not to cause significant harm to any environmental or social objective, by:

- avoiding investments in issuers that violate minimum social safeguards; and
- by the Fund excluding issuers which breach thresholds set by the Investment Advisers relating to the principal adverse impact ("PAI") indicators which the Investment Adviser is required to consider by the EU Sustainable Finance Disclosure Regulation ("SFDR") rules, and which are relevant to the investment.

This assessment is conducted using in-house proprietary as well as third-party research on the sustainability characteristics of the Fund's holdings.

– ***How have the indicators for adverse impacts on sustainability factors been taken into account?***

The "do no significant harm" methodology applied by the Investment Adviser on sustainable investments seeks to exclude investments that cause harm to any of the PAI indicators (listed below) which are mandatory for the Investment Adviser to consider under the EU SFDR rules, and which are relevant to the investment.

PAI indicators:

**Investee companies**

1. GHG emissions
2. Carbon Footprint
3. GHG intensity of investee companies
4. Exposure to companies active in the fossil sector
5. Share of non-renewable energy consumption and production
6. Energy consumption intensity per high impact climate sector
7. Activities negatively affecting biodiversity sensitive areas
8. Emissions to water
9. Hazardous waste ratio
10. Violations of UN Global Compact and OECD



11. Lack of processes and compliance mechanisms to monitor compliance with the UNGC and OECD
12. Unadjusted gender pay gap
13. Board gender diversity
14. Exposure to controversial weapons

#### **Sovereign**

1. Sovereign GHG intensity
2. Investee countries subject to social violations

The Investment Adviser has determined specific metrics and quantitative thresholds for what constitutes significant harm to screen PAI indicators that are relevant to the investment, using third-party data as well as in-house research. The thresholds are set: (i) on an absolute value basis; (ii) on a relative basis in the context of the investment universe; or (iii) using pass/fail scores. Different metrics or thresholds may apply to issuers located in developed markets and in emerging markets, respectively. This is intended to reflect the different extent to which the Investment Adviser deems that meeting minimum sustainability standards in these markets is currently achievable. In addition, different relative thresholds may apply to similar indicators: for example, the Investment Adviser currently applies a lower threshold to determine significant adverse impact with respect to scope 3 emissions intensity as compared to scope 1 and 2 emissions intensity. This is because: (i) companies have less control over their indirect emissions; and (ii) data estimates for scope 3 emissions, which currently prevail over reported data compared to scope 1 and 2 emissions, may result in a less accurate PAI assessment.

The Investment Adviser may use reasonable proxy indicators sourced from third parties to address the current lack of data for certain PAI indicators. The Investment Adviser's use of proxy indicators will be kept under review and will be replaced by PAI data from third-party data providers, when the Investment Adviser determines that sufficiently reliable data has become available.

The Investment Adviser generally conducts the PAI assessment at the issuer level. However, where appropriate the assessment may be done at the security level in whole or in part. For instance, in the case of Sustainable Bonds, as defined above, the PAI indicators that are directly related to the sustainability factors targeted by the bond's use of proceeds will be assessed at the security level, through the Investment Adviser's proprietary Sustainable Bond Evaluation Framework. As an example, the Fund may invest in a Green Bond issued by a utility company that has a negative assessment of the PAI indicators related to GHG emissions and/or GHG intensity, as long as the Investment Adviser evaluates that the issuer has a credible strategy to reduce its GHG emissions, and that the Green Bond specifically contributes towards such goal. Other PAI indicators that are unrelated to the Sustainable Bond's use of proceeds are still assessed at the issuer level.

The Fund's PAI assessment is supported, on a qualitative basis, by the Investment Adviser's engagement with selected issuers on their corporate governance practices, as well as on other material sustainability issues related to the SDGs, in line with the Investment Adviser's Fixed Income Engagement Strategy, available on [www.morganstanley.com/im](http://www.morganstanley.com/im).

- *How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:*

The Fund’s sustainable investments exclude issuers which have experienced very severe controversies that are deemed to violate the UN Global Compact, the UN Guiding Principles on Business and Human Rights, or the ILO Fundamental Principles, and issuers with very severe controversies related to violations of the OECD Guidelines for Multinational Enterprises. This screening is done using third-party data.

*The EU Taxonomy sets out a “do not significant harm” principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.*

*The “do no significant harm” principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.*

*Any other sustainable investments must also not significantly harm any environmental or social objectives.*

Regulation requires that this document include these statements. However, for the avoidance of doubt, this Fund does not: (i) take into account the EU criteria for environmentally sustainable economic activities in the EU Taxonomy; or (ii) calculate its portfolio alignment with the EU Taxonomy. As such, the Fund is 0% aligned with the EU Taxonomy. The “do no significant harm” principle applies only to the portion of the Fund’s investments that are sustainable investments.



### **Does this financial product consider principal adverse impacts on sustainability factors?**

- Yes  
 No

The Fund considers all of the mandatory PAI on sustainability factors which are relevant to the investment for the portion allocated to sustainable investments, as described above in response to the question, “How have the indicators for adverse impacts on sustainability factors been taken into account?”

The portion of the Fund that is not made of sustainable investments considers the PAI only in part through the Fund’s exclusionary criteria, as follows:

- The Fund excludes issuers which derive any revenue from thermal coal mining and extraction. The Fund therefore partly considers the PAI indicator 4: exposure to companies active in the fossil fuel sector.
- The Fund excludes issuers which derive any revenue from controversial weapons manufacturing or retail. The Fund therefore considers in whole the PAI indicator 14: exposure to controversial weapons.
- The Fund excludes sovereign issuers where there is evidence of them having caused significant harm from social violations, which the Investment Adviser defines in relation to the bottom-10% ranked countries on an indicator reflecting the fulfilment of social rights, as further explained in response to the question, “What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social

*characteristics promoted by this financial product?”* The Fund therefore considers in part the PAI indicator number 16: investee countries subject to social violations.

The Fund will make information available on how it has incorporated the PAIs into the Fund in its periodic reports to investors.



## What investment strategy does this financial product follow?

The Fund seeks to provide an attractive level of total return, measured in Euro, by investing primarily in euro-denominated securities of corporate, government and government-related issuers, across a spectrum of fixed income asset classes, including high-yield bonds, investment-grade bonds, mortgage-backed securities, convertibles and currencies, while reducing exposure to sustainability risks through exclusionary screening of selected fossil fuels and of activities which can cause dangers to human health and wellbeing, of sovereign issuers that violate social rights, and of securitisations that violate responsible business or lending practices.

In addition to the ESG considerations described in this summary on a binding basis, the Fund integrates ESG considerations in the investment decision-making process to support its environmental and social characteristics on a non-binding basis, based on the Investment Adviser’s in-house research and methodologies and on third-party data.

The investment process is subject to regular review, as part of a control and monitoring framework implemented by the Investment Adviser. The Investment Adviser’s Compliance, Risk and Portfolio Surveillance teams collaborate with the investment team to conduct regular portfolio/performance reviews and systemic checks to ensure compliance with portfolio investment objectives and environmental and social characteristics, taking into account changing market conditions, information and strategy developments.

● ***What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?***

The binding elements of the investment strategy are described in the table below.

The criteria are implemented and monitored by the Investment Adviser using a combination of third-party data and in-house research.

Binding criteria	
<b>The Fund will not invest in corporate issuers which:</b>	<p><b>Derive any revenue from any of the following activities:</b></p> <ul style="list-style-type: none"> <li>Controversial weapons manufacturing or retail (anti-personnel landmines, cluster munitions, biological or chemical weapons, and nuclear weapons);</li> <li>Civilian firearms manufacturing or retail;</li> <li>Tobacco manufacturing; or</li> </ul> <p><b>Derive more than 5% revenue from any of the following activities:</b></p> <ul style="list-style-type: none"> <li>Thermal coal mining and extraction. The Fund may, as an exception, invest in labelled Sustainable Bonds issued by fossil fuel companies, which are intended to raise proceeds specifically for projects that promote positive environmental contributions mitigating the adverse sustainability impact of coal, such as renewable energy or energy efficiency, based on information available in the bond issuance documentation.</li> </ul>
<b>The Fund will not invest in sovereign issuers which:</b>	Are in the bottom-10% ranked countries for social violations, based on the Investment Adviser’s custom indicator.

	<p>The social violations custom indicator is calculated by the Investment Adviser taking into consideration a country's performance on issues including, but not limited to, the application of human rights and civil liberties, the quality of contract enforcement and security, freedom of expression, association and free media, as assessed by underlying data from third parties.</p> <p>Investments that are held by the Fund but become restricted because they breach the investment exclusions set out above, after they are acquired for the Fund, will be sold. Such sales will take place over a period of time to be determined by the Investment Adviser, taking into account the best interests of the shareholders of the Fund.</p> <p>In addition, any investments in sovereign issuers exhibiting positive momentum with respect to such violations, shall not be subject to the purchase restriction. For example, if a country is in the process of making significant remediation efforts, such as through electoral or policy reforms and engagement with civil society, with regard to any social violations, the Investment Adviser may not exclude the investment from the Fund, provided this is kept under review by the Investment Adviser.</p>
<p><b>The Fund will not invest in securitisations in which:</b></p>	<ul style="list-style-type: none"> <li>• The underlying loans show evidence of predatory lending, as determined by the applicable usury laws, and in the context of market rates and borrower's risk profile;*</li> <li>• The lender or servicer of the underlying assets has committed a severe breach of consumer protection standards: <ul style="list-style-type: none"> <li>○ as established by the Consumer Financial Protection Bureau (CFPB) in the United States; or</li> <li>○ as established by any relevant regulatory and supervisory agency in the jurisdiction where the securitisation's originator and/or collateral are located;</li> </ul> if the breach relates to the securitisation's underlying collateral, underwriting and servicing practices, unless there is evidence of the breach having been or being remediated;** or</li> <li>• The originator, lender or servicers has been involved in controversy cases related to business ethics and fraud that the Investment Adviser views as "Very Severe" based on data by relevant ESG data providers, and where the Investment Adviser considers appropriate remedial action has not been taken.</li> </ul> <p>* A loan is considered a predatory loan if:</p> <ul style="list-style-type: none"> <li>• Interest rates do not comply with U.S. usury laws or the equivalent in other jurisdictions; or</li> <li>• Interest rates being offered exceed a limit for which the Investment Adviser deems to be exceedingly higher than the industry standard. The Investment Adviser may choose to proceed with an investment where interest rates where interest rates surpass this level if following enhanced due diligence (including through direct engagement with the lending team and/or servicing department on the securitisation deal), the Investment Adviser determines that access to the loan is still beneficial to the borrower when taking into consideration its risk profile and alternative borrowing options. The interest rate levels which are considered industry standard are subject to periodic review by the Investment Adviser, based on the prevailing market conditions and prevailing rates across the industry at the time.</li> </ul>

	** This exclusion criterion does not apply to lenders or servicers of U.S. government sponsored mortgage-backed securities, as their compliance of such securitisations with local regulatory standards is already monitored by the U.S. government on an ongoing basis. Such investments will be considered to fall within “#1 Aligned with E/S characteristics”, in response to the question, “ <i>What is the asset allocation planned for this financial product?</i> ”
<b>Sustainable investments</b>	The Fund will maintain a minimum of 30% of sustainable investments, which meet the criteria as set out in response to the question, “ <i>What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?</i> ”

The Investment Adviser may decide to implement additional restrictions to the Fund, and such new restrictions will be disclosed in the Fund’s SFDR Website Disclosure.

**Good governance** practices include sound management structures, employee relations, remuneration of staff and tax compliance.

- ***What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?***

The Fund does not target a specific reduction rate of the scope of investments.

- ***What is the policy to assess good governance practices of the investee companies?***

As part of its bottom-up, fundamental research process, the Investment Adviser systematically incorporates the assessment of an issuer’s corporate governance and business practices, including but not limited to evidence of sound management structures and employee relations, fair remuneration of staff, and tax compliance, in order to ensure that every investee company follows good governance practices.

This is done through the monitoring of data on governance-related, as well as on other environmental and/or social factors and controversies, sourced from third party providers, through in-house research, and through engagement with the management of selected issuers on corporate governance and disclosure issues.

In addition, the Fund’s sustainable investments exclude any company that is involved in very severe governance-related controversies.



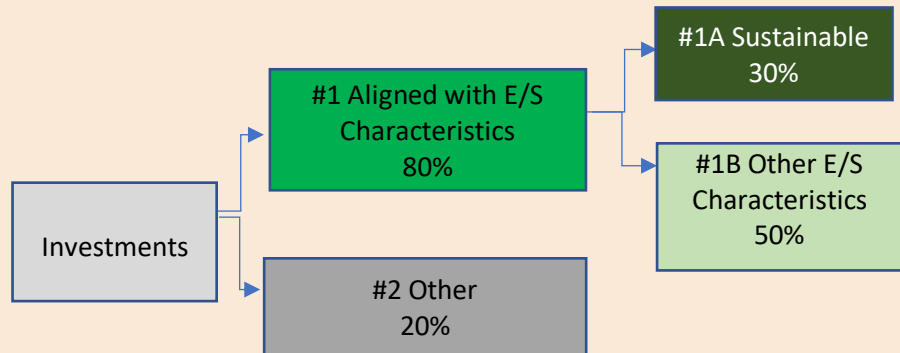
### Asset allocation

describes the share of investments in specific assets.

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.

## What is the asset allocation planned for this financial product?



**#1 Aligned with E/S characteristics** includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

**#2 Other** includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

The category #1 Aligned with E/S characteristics covers:

- The sub-category #1A Sustainable covers sustainable investments with environmental or social objectives.
- The sub-category #1B Other E/S characteristics covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.

The exclusions (as described above) will be applied to at least 80% of the portfolio, however the Fund also expects to allocate a minimum of 30% of its assets to sustainable investments. Among these sustainable investments, the Fund commits to make a minimum of 1% of sustainable investments with an environmental objective and 1% of sustainable investments with a social objective which can both vary independently at any time.

A maximum of 20% of the Fund's assets may be invested in hedging and/or cash instruments for efficient portfolio management purposes, which do not align with any environmental or social characteristics.

As explained above, any investments that are held by the Fund but become restricted because they breach the investment exclusions set out above, after they are acquired for the Fund, will be sold. Such sales will take place over a period of time to be determined by the Investment Adviser, taking into account the best interests of the shareholders of the Fund. Such investments are included in the "#2 Other" category.

These percentages are measured according to the value of the investments.

### ● **How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?**

Derivatives may be used by the Fund for investment or efficient portfolio management (including hedging) purposes only. These instruments are not used to attain the environmental or social characteristics of the Fund.



## To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

Not applicable – the Investment Adviser does not take account of the EU Taxonomy in its management of the Fund and as such the Fund’s sustainable investments do not take into account the criteria for environmentally sustainable economic activities under the EU Taxonomy.

### ● Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy<sup>1</sup>?

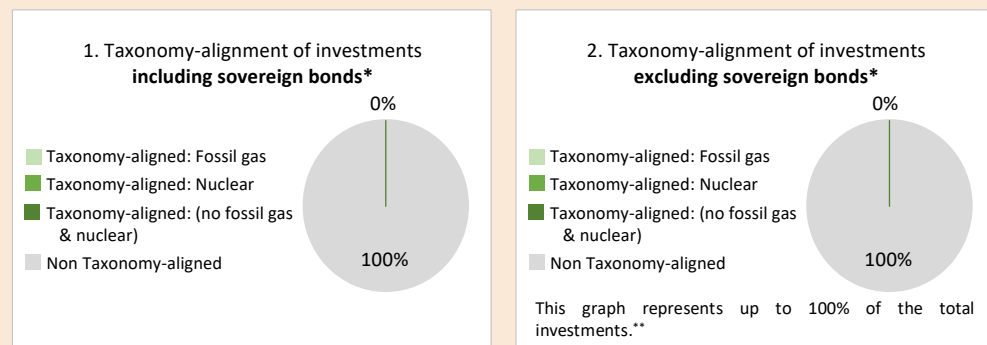
- Yes:  
 In fossil gas     In nuclear energy  
 No

To comply with EU Taxonomy, the criteria for **fossil gas** include limitations on emission and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

**Transitional activities** are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

*The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.*



\* For the purpose of these graphs, ‘sovereign bonds’ consist of all sovereign exposures.

\*\*The proportion of total investments shown in this graph is purely indicative and may vary over time. As the Fund does not commit to making sustainable investments aligned with the EU Taxonomy, the proportion of any sovereign exposure in the Fund’s portfolio will not impact the proportion of sustainable investments aligned with the EU Taxonomy included in the graph.

### ● What is the minimum share of investments in transitional and enabling activities?

Not applicable - Although the Fund commits to invest in sustainable investments within the meaning of the SFDR, there is no commitment to a minimum share of investments in transitional and enabling activities.

<sup>1</sup> Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change (“climate change mitigation”) and do not significantly harm any EU Taxonomy objective – see explanatory note in the left-hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.



are sustainable investments with an environmental objective that **do not take into account** the criteria for environmentally sustainable economic activities under the EU Taxonomy.

### What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?

The Fund may make sustainable investments, as defined under the SFDR, which contribute to either environmental or social objectives. Among these, the Fund commits to make a minimum of 1% of sustainable investments with an environmental objective and 1% of sustainable investments with a social objective which can both vary independently at any time. These sustainable investments will represent at least 30% of the portfolio holdings on an aggregated basis.

The Fund's sustainable investments with an environmental objective **do not take into account the criteria** for environmentally sustainable economic activities under the EU Taxonomy.

Although some of these sustainable investments may be Taxonomy aligned, due to lack of available data regarding the Taxonomy alignment of the underlying securities, the Investment Adviser has not been able to confirm whether these investments are in fact Taxonomy aligned and accordingly will not consider them as such in calculations until this data is reported on or otherwise becomes more reliable. As such, the Investment Adviser uses its own methodology to determine whether certain investments are sustainable in accordance with the SFDR sustainable investment test, and then invests in such assets for the Fund.



### What is the minimum share of socially sustainable investments?

The Fund intends to make a minimum of 30% sustainable investments, with a combination of environmental and social objectives. Among these, the Fund commits to make a minimum of 1% of sustainable investments with an environmental objective and 1% of sustainable investments with a social objective which can both vary independently at any time. These sustainable investments will represent at least 30% of the portfolio holdings on an aggregated basis.



### What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?

The Fund may have investments in hedging instruments for efficient portfolio management and in cash as ancillary liquidity. These instruments are included in the “#2 Other” category and are not subject to environmental and/or social screening or any minimum environmental or social safeguards.



### Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?

Not applicable.

**Reference benchmarks** are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.



### Where can I find more product specific information online?

More product-specific information can be found on the website:

[https://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite\\_msinvf\\_europeanfixedincomeopportunities\\_en.pdf](https://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite_msinvf_europeanfixedincomeopportunities_en.pdf)



**Pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852**

**Product name:**

European High Yield Bond Fund

**Legal entity identifier:**

CV1X7ZNWEZI3H0SHCK68

## Environmental and/or social characteristics

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**.

That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

Does this financial product have a sustainable investment objective?	
●● <input type="checkbox"/> Yes	●● <input checked="" type="checkbox"/> No
<input type="checkbox"/> It will make a minimum of <b>sustainable investments with an environmental objective: ___%</b> <ul style="list-style-type: none"> <li><input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> </ul> <input type="checkbox"/> It will make a minimum of <b>sustainable investments with a social objective: ___%</b>	<input checked="" type="checkbox"/> It <b>promotes Environmental/Social (E/S) characteristics</b> and while it does not have as its objective a sustainable investment, it will have a minimum proportion of <u>5</u> % of sustainable investments <ul style="list-style-type: none"> <li><input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input checked="" type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> <li><input checked="" type="checkbox"/> with a social objective</li> </ul> <input type="checkbox"/> It promotes E/S characteristics, but <b>will not make any sustainable investments</b>



## What environmental and/or social characteristics are promoted by this financial product?

The Fund promotes the environmental characteristic of climate change mitigation by excluding investments in certain types of fossil fuels. In addition, the Fund promotes the social characteristic of avoiding investments in certain activities which can cause harm to human health and wellbeing.

Further detail on the nature of these exclusions is set out below (in response to the question, “*What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?*”).

The Fund also aims to make a minimum of 5% sustainable investments in:

- Corporate issuers whose business practices, products or solutions, make a net positive contribution towards United Nations’ Sustainable Development Goals (“SDGs”); or
- Sustainable Bonds which make a positive environmental or social contribution through their use of proceeds, as explained in response to the question below, “*What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?*”.

The Fund has not designated a reference benchmark for the purpose of attaining its environmental or social characteristics.

**Sustainability indicators** measure how the environmental or social characteristics promoted by the financial product are attained.

### ● ***What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?***

The sustainability indicator used to measure the attainment of the Fund’s environmental and social characteristics is the Fund’s exposure, in percentage market value, to issuers that violate any of the exclusion criteria. Additional details on the Fund’s exclusions criteria and methodology are provided below in response to the question, “*What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?*”

### ● ***What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?***

The Fund’s sustainable investments will fall within one of the following categories:

- Green, Social or Sustainability Bonds (“Sustainable Bonds”), as labelled in the securities’ documentation, where the issuer commits to allocate the proceeds to projects making a positive environmental or social contribution. This includes, but is not limited to, bonds that align with the International Capital Market Association (ICMA)’s Green Bond Principles, Social Bond Principles, and Sustainability Bond Guidelines. Sustainable Bonds mobilise financing directly towards a multiplicity of environmental and social projects whose focus spans across a number of sustainability objectives. Examples include, but are not limited to, financing for renewable energy, energy efficiency, clean transportation, affordable housing, and financial inclusion projects. The specific objectives to which the Sustainable Bonds contribute depend on the eligible environmental and social project categories of each security.
- Bonds from corporate issuers whose business practices, products or solutions, make a net positive contribution towards the SDGs. The SDGs were adopted by the United Nations in 2015 as a universal call to action to end poverty, protect the planet and ensure that by 2030 all people enjoy peace and prosperity. The Investment Adviser defines positive contribution to the SDGs as a net positive aggregate alignment score across all the SDGs (i.e., scores measuring positive contribution to individual SDGs have to, in total, be greater than the total

of any negative contribution scores), based on third-party data. The Investment Adviser will also only include issuers which have sufficient positive SDG alignment (in the Investment Adviser's view) with at least one individual SDG, and which do not have any material misalignments (in the Investment Adviser's view) on any of the SDGs.

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

● ***How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?***

The Fund's sustainable investments aim not to cause significant harm to any environmental or social objective, by:

- avoiding investments in issuers that violate minimum social safeguards; and
- by the Fund excluding issuers which breach thresholds set by the Investment Adviser relating to the principal adverse impact ("PAI") indicators which the Investment Adviser is required to consider by the EU Sustainable Finance Disclosure Regulation ("SFDR") rules, and which are relevant to the investment.

This assessment is conducted using in-house proprietary as well as third-party research on the sustainability characteristics of the Fund's holdings.

– ***How have the indicators for adverse impacts on sustainability factors been taken into account?***

The "do no significant harm" methodology applied by the Investment Adviser on sustainable investments seeks to exclude investments that cause harm to any of the PAI indicators (listed below) which are mandatory for the Investment Adviser to consider under the EU SFDR rules, and which are relevant to the investment.

PAI indicators:

**Investee companies**

1. GHG emissions
2. Carbon Footprint
3. GHG intensity of investee companies
4. Exposure to companies active in the fossil sector
5. Share of non-renewable energy consumption and production
6. Energy consumption intensity per high impact climate sector
7. Activities negatively affecting biodiversity sensitive areas
8. Emissions to water
9. Hazardous waste ratio
10. Violations of UN Global Compact and OECD
11. Lack of processes and compliance mechanisms to monitor compliance with the UNGC and OECD
12. Unadjusted gender pay gap
13. Board gender diversity
14. Exposure to controversial weapons

The Investment Adviser has determined specific metrics and quantitative thresholds for what constitutes significant harm to screen PAI indicators that are relevant to the investment, using third-party data. The thresholds are set: (i) on an absolute value basis; (ii) on a relative basis in the context of the investment universe; or (iii) using pass/fail scores. Different metrics or thresholds may apply to issuers located in developed markets and in emerging markets, respectively. This is intended to reflect the different extent to which the Investment Adviser deems that meeting minimum sustainability standards in these markets is currently achievable. In addition, different relative thresholds may apply to similar indicators: for example, the Investment Adviser currently applies a lower threshold to determine significant adverse impact with respect to scope 3 emissions intensity as compared to scope 1 and 2 emissions intensity. This is because: (i) companies have less control over their indirect

emissions; and (ii) data estimates for scope 3 emissions, which currently prevail over reported data compared to scope 1 and 2 emissions, may result in a less accurate PAI assessment.

The Investment Adviser may use reasonable proxy indicators sourced from third parties to address the current lack of data for certain PAI indicators. The Investment Adviser's use of proxy indicators will be kept under review, and will be replaced by PAI data from third-party data providers when the Investment Adviser determines that sufficiently reliable data has become available.

The Investment Adviser generally conducts the PAI assessment at the issuer level. However, where appropriate the assessment may be done at the security level in whole or in part. For instance, in the case of Sustainable Bonds, as defined above, the PAI indicators that are directly related to the sustainability factors targeted by the bond's use of proceeds will be assessed at the security level, through the Investment Adviser's proprietary Sustainable Bond Evaluation Framework. As an example, the Fund may invest in a Green Bond issued by a utility company that has a negative assessment under the PAI indicators related to GHG emissions and/or GHG intensity, as long as the Investment Adviser evaluates that the issuer has a credible strategy to reduce its GHG emissions and the Green Bond specifically contributes towards such goal. Other PAI indicators that are unrelated to the Sustainable Bond's use of proceeds are assessed at the issuer level.

The Fund's PAI assessment is supported, on a qualitative basis, by the Investment Adviser's engagement with selected issuers on their corporate governance practices, as well as on other material sustainability issues related to the SDGs, in line with the Investment Adviser's Fixed Income Engagement Strategy, available on [www.morganstanley.com/im](http://www.morganstanley.com/im).

– *How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:*

The Fund's sustainable investments exclude issuers which have experienced very severe controversies that are deemed to violate the UN Global Compact, the UN Guiding Principles on Business and Human Rights, or the ILO Fundamental Principles, and issuers with very severe controversies related to violations of the OECD Guidelines for Multinational Enterprises. This screening is done using third-party data.

*The EU Taxonomy sets out a "do not significant harm" principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.*

*The "do no significant harm" principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.*

*Any other sustainable investments must also not significantly harm any environmental or social objectives.*

Regulation requires that this document include these statements. However, for the avoidance of doubt, this Fund does not: (i) take into account the EU criteria for environmentally sustainable economic activities in the EU Taxonomy; or (ii) calculate its portfolio alignment with the EU Taxonomy. As such, the Fund is 0% aligned with the EU Taxonomy. The "do no significant harm" principle applies only to the portion of the Fund's investments that are sustainable investments.



## Does this financial product consider principal adverse impacts on sustainability factors?

- Yes  
 No

The Fund considers all of the mandatory PAI on sustainability factors which are relevant to the investment for the portion allocated to sustainable investments, as described above in response to the question, “How have the indicators for adverse impacts on sustainability factors been taken into account?”

The portion of the Fund that is not made of sustainable investments considers the PAI only in part through the Fund’s exclusionary criteria, as follows:

- The Fund excludes issuers which derive any revenue from thermal coal mining and extraction. The Fund therefore partly considers the PAI indicator 4: exposure to companies active in the fossil fuel sector.
- The Fund excludes issuers which derive any revenue from controversial weapons manufacturing or retail. The Fund therefore considers in whole the PAI indicator 14: exposure to controversial weapons.

The Fund will make information available on how it has incorporated the PAIs into the Fund in its periodic reports to investors.



## What investment strategy does this financial product follow?

**The investment strategy** guides investment decisions based on factors such as investment objectives and risk tolerance.

The Fund’s investment objective is to provide an attractive rate of return, measured in Euro, through investments worldwide primarily in lower rated and unrated Fixed Income Securities issued by governments, agencies and corporations that offer a yield above that generally available on the Fixed Income Securities in the four highest rating categories of S&P or Moody’s denominated in European currencies.

In addition to the ESG considerations described in this summary on a binding basis, the Fund integrates ESG considerations in the investment decision-making process to support its environmental and social characteristics on a non-binding basis, based on the Investment Adviser’s in-house research and methodologies and on third-party data.

The investment process is subject to regular review, as part of a control and monitoring framework implemented by the Investment Adviser. The Investment Adviser’s Compliance, Risk and Portfolio Surveillance teams collaborate with the investment team to conduct regular portfolio/performance reviews and systemic checks to ensure compliance with portfolio investment objectives and environmental and social characteristics, taking into account changing market conditions, information and strategy developments.

### ● **What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?**

The binding elements of the investment strategy are described in the table below.

The criteria are implemented and monitored by the Investment Adviser using a combination of third-party data and in-house research.

Binding criteria	
<b>The Fund will not invest in corporate issuers which:</b>	<p><b><u>Derive any revenue from any of the following activities:</u></b></p> <ul style="list-style-type: none"> <li>• Controversial weapons manufacturing or retail (anti-personnel landmines, cluster munitions, biological or chemical weapons, and nuclear weapons);</li> <li>• Civilian firearms manufacturing or retail;</li> <li>• Tobacco manufacturing; or</li> </ul> <p><b><u>Derive more than 5% revenue from any of the following activities:</u></b></p> <ul style="list-style-type: none"> <li>• Thermal coal mining and extraction. The Fund may, as an exception, invest in labelled Sustainable Bonds issued by fossil fuel companies, which are intended to raise proceeds specifically for projects that promote positive environmental contributions mitigating the adverse sustainability impact of coal, such as renewable energy or energy efficiency, based on information available in the bond issuance documentation.</li> </ul>
<b>Sustainable investments</b>	The Fund will maintain a minimum of 5% of sustainable investments, which meet the criteria as set out in response to the question, <i>“What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?”</i>

The Investment Adviser may decide to implement additional restrictions to the Fund, and such new restrictions will be disclosed in the Fund’s SFDR Website Disclosure.

**Good governance** practices include sound management structures, employee relations, remuneration of staff and tax compliance.

● ***What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?***

The Fund does not target a specific reduction rate of the scope of investments.

● ***What is the policy to assess good governance practices of the investee companies?***

As part of its bottom-up, fundamental research process, the Investment Adviser systematically incorporates the assessment of an issuer’s corporate governance and business practices, including but not limited to evidence of sound management structures and employee relations, fair remuneration of staff, and tax compliance, in order to ensure that every investee company follows good governance practices.

This is done through the monitoring of data on governance-related, as well as on other environmental and/or social factors and controversies, sourced from third party providers, through in-house research, and through engagement with the management of selected issuers on corporate governance and disclosure issues.

In addition, the Fund’s sustainable investments exclude any company that is involved in very severe governance-related controversies.



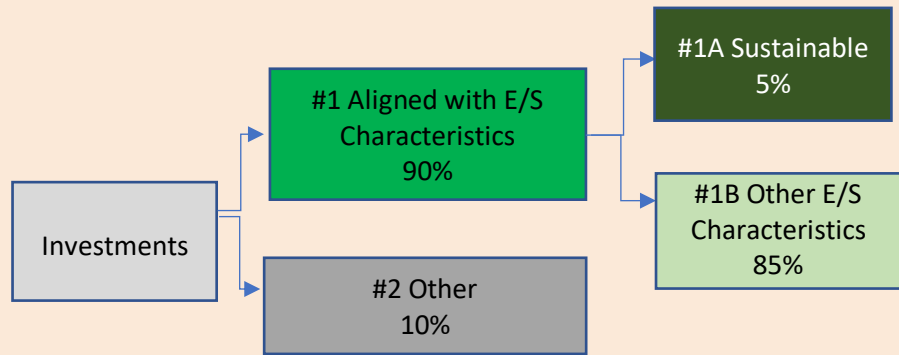
### Asset allocation

describes the share of investments in specific assets.

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.

## What is the asset allocation planned for this financial product?



**#1 Aligned with E/S characteristics** includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

**#2 Other** includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

The category **#1 Aligned with E/S characteristics** covers:

- The sub-category **#1A Sustainable** covers sustainable investments with environmental or social objectives.
- The sub-category **#1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.

The exclusions (as described above) will be applied to at least 90% of the portfolio, however the Fund also expects to allocate a minimum of 5% of its assets to sustainable investments. Among these sustainable investments, the Fund commits to make a minimum of 1% of sustainable investments with an environmental objective and 1% of sustainable investments with a social objective which can both vary independently at any time.

A maximum of 10% of the Fund's assets may be invested in hedging and/or cash instruments for efficient portfolio management purposes, which do not align with any environmental or social characteristics.

These percentages are measured according to the value of the investments.

### ● **How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?**

Derivatives may be used by the Fund for investment or efficient portfolio management (including hedging) purposes only. These instruments are not used to attain the environmental or social characteristics of the Fund.



## To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

Not applicable – the Investment Adviser does not take account of the EU Taxonomy in its management of the Fund and as such the Fund’s sustainable investments do not take into account the criteria for environmentally sustainable economic activities under the EU Taxonomy.

● **Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy<sup>1</sup>?**

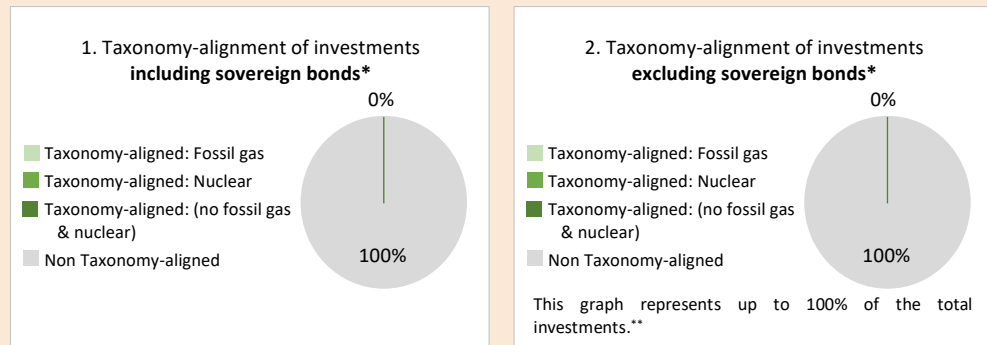
- Yes:  
 In fossil gas     In nuclear energy  
 No

To comply with EU Taxonomy, the criteria for **fossil gas** include limitations on emission and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

**Transitional activities** are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

*The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.*



\* For the purpose of these graphs, ‘sovereign bonds’ consist of all sovereign exposures.

\*\*The proportion of total investments shown in this graph is purely indicative and may vary over time. As the Fund does not commit to making sustainable investments aligned with the EU Taxonomy, the proportion of any sovereign exposure in the Fund’s portfolio will not impact the proportion of sustainable investments aligned with the EU Taxonomy included in the graph.

● **What is the minimum share of investments in transitional and enabling activities?**

Not applicable - Although the Fund commits to invest in sustainable investments within the meaning of the SFDR, there is no commitment to a minimum share of investments in transitional and enabling activities.

<sup>1</sup> Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change (“climate change mitigation”) and do not significantly harm any EU Taxonomy objective – see explanatory note in the left-hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.





are sustainable investments with an environmental objective that **do not take into account** the criteria for environmentally sustainable economic activities under the EU Taxonomy.

### What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?

The Fund intends to make a minimum of 5% sustainable investments, as defined under the SFDR, with a combination of environmental and social objectives, as described above. Among these, the Fund commits to make a minimum of 1% of sustainable investments with an environmental objective and 1% of sustainable investments with a social objective which can both vary independently at any time. These sustainable investments will represent at least 5% of the portfolio holdings on an aggregated basis.

The Fund's sustainable investments with an environmental objective **do not take into account the criteria** for environmentally sustainable economic activities under the EU Taxonomy.

Although some of these sustainable investments may be Taxonomy aligned, due to lack of available data regarding the Taxonomy alignment of the underlying securities, the Investment Adviser has not been able to confirm whether these investments are in fact Taxonomy aligned and accordingly will not consider them as such in calculations until this data is reported on or otherwise becomes more reliable. As such, the Investment Adviser uses its own methodology to determine whether certain investments are sustainable in accordance with the SFDR sustainable investment test, and then invests in such assets for the Fund.



### What is the minimum share of socially sustainable investments?

As explained above, the Fund may make sustainable investments which contribute to either environmental or social objectives. Among these, the Fund commits to make a minimum of 1% of sustainable investments with an environmental objective and 1% of sustainable investments with a social objective which can both vary independently at any time. These sustainable investments will represent at least 5% of the portfolio holdings on an aggregated basis.



### What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?

The Fund may have investments in hedging instruments for efficient portfolio management and in cash as ancillary liquidity. These instruments are included in the “#2 Other” category and are not subject to environmental and/or social screening or any minimum environmental or social safeguards.



**Reference benchmarks** are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.

### Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?

Not applicable



### Where can I find more product specific information online?

More product-specific information can be found on the website:

[https://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite\\_msinvf\\_europeanhighyieldbond\\_en.pdf](https://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite_msinvf_europeanhighyieldbond_en.pdf)

**Pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852**

**Product name:**

Floating Rate ABS Fund

**Legal entity identifier:**

549300T7UJE2TXHL2Z08

## Environmental and/or social characteristics

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**.

That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

Does this financial product have a sustainable investment objective?	
<p><input checked="" type="radio"/> <input type="radio"/> <b>Yes</b></p>	<p><input type="radio"/> <input checked="" type="radio"/> <b>No</b></p>
<p><input type="checkbox"/> It will make a minimum of <b>sustainable investments with an environmental objective: ___%</b></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> </ul> <p><input type="checkbox"/> It will make a minimum of <b>sustainable investments with a social objective: ___%</b></p>	<p><input type="checkbox"/> It <b>promotes Environmental/Social (E/S) characteristics</b> and while it does not have as its objective a sustainable investment, it will have a minimum proportion of ___% of sustainable investments</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> with a social objective</li> </ul> <p><input checked="" type="checkbox"/> It promotes E/S characteristics, but <b>will not make any sustainable investments</b></p>



## What environmental and/or social characteristics are promoted by this financial product?

The Fund promotes the social characteristic of avoiding investments in securitisations that violate responsible business or lending practices.

Further detail on the nature of these exclusions is set out below (in response to the question, “*What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?*”).

The Fund has not designated a reference benchmark for the purpose of attaining its social characteristics.

**Sustainability indicators** measure how the environmental or social characteristics promoted by the financial product are attained.

- **What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?**

The sustainability indicator used to measure the attainment of the Fund’s social characteristic of avoiding investments in securitisations which violate responsible business or lending practices is the proportion of the Fund invested in securitisations which breach any of the exclusion criteria.

- **What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?**

Not applicable

- **How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?**

Not applicable

- *How have the indicators for adverse impacts on sustainability factors been taken into account?*

Not applicable

- *How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:*

Not applicable

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.



## Does this financial product consider principal adverse impacts on sustainability factors?

- Yes  
 No

The Fund does not consider principal adverse impact (“PAI”) indicators.



**The investment strategy** guides investment decisions based on factors such as investment objectives and risk tolerance.

## What investment strategy does this financial product follow?

The Fund aims to generate an attractive return, whilst minimising exposure to changes in interest rates through investments in a portfolio of floating rate asset-backed securities (“ABS”), measured in Euro. The Fund will invest primarily in floating-rate Fixed Income Securities with a duration of less than two years that are mortgage-backed securities, commercial mortgage-backed securities, collateralized mortgage obligations, covered bonds that are covered by mortgages including Uniform Mortgage-Backed Securities and other ABS rated investment-grade by an internationally recognised rating agency, securities determined to be of similar creditworthiness by the Investment Adviser, or securities backed by the United States of America. As part of its investment strategy, the Fund aims at reducing exposure to sustainability risks through exclusionary screening of issuers that violate responsible business or lending practices.

In addition to the ESG considerations described in this document on a binding basis, the Fund integrates ESG considerations in the investment decision-making process to support its social characteristics on a non-binding basis, based on the Investment Adviser’s in-house research and ESG scoring methodologies and, where available, on third-party data.

The investment process is subject to regular review, as part of a control and monitoring framework implemented by the Investment Adviser. The Investment Adviser’s Compliance, Risk and Portfolio Surveillance teams collaborate with the investment team to conduct regular portfolio/performance reviews and systemic checks to ensure compliance with portfolio investment objectives, investment and client guidelines, taking into account changing market conditions, information and strategy developments.

### ● **What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?**

The binding elements of the investment strategy consist of the exclusionary screening criteria applied to the portfolio construction process, as described in the table below.

The criteria are implemented and monitored by the Investment Adviser using a combination of third-party data and in-house research.

Binding criteria	Description
<b>The Fund will not invest in securitisations in which:</b>	<ul style="list-style-type: none"> <li>● The underlying loans show evidence of predatory lending, as determined by the applicable usury laws, and in the context of market rates and borrower’s risk profile;*</li> <li>● The lender or servicer of the underlying assets has committed severe malpractice around payment collection or has unjustifiably aggressive foreclosure practices;</li> <li>● The lender or servicer of the underlying assets has committed a severe breach of consumer protection standards: <ul style="list-style-type: none"> <li>○ as established by the Consumer Financial Protection Bureau (CFPB) in the United States; or</li> <li>○ as established by any relevant regulatory and supervisory agency in the jurisdiction where the securitisation’s originator and/or collateral are located;</li> </ul> </li> </ul> <p>if the breach relates to the securitisation’s underlying collateral, underwriting and servicing practices, unless the Investment Adviser considers there is evidence of the breach having been or being remediated;** or</p>

	<ul style="list-style-type: none"> <li>• The originator, lender or servicer has been involved in controversy cases related to business ethics and fraud that the Investment Adviser views as “Very Severe” based on data by relevant ESG data providers, and where the Investment Adviser considers appropriate remedial action has not been taken.</li> </ul> <p>* A loan is considered a predatory loan if:</p> <ul style="list-style-type: none"> <li>• interest rates do not comply with U.S. usury laws or the equivalent in other jurisdictions; or</li> <li>• interest rates being offered exceed a limit for which the Investment Adviser deems to be exceedingly higher than the industry standard.</li> </ul> <p>The Investment Advisor may choose to proceed with an investment where interest rates surpass this level if following enhanced due diligence (including through direct engagement with the lending team and/or servicing department on the securitisation deal), the Investment Adviser determines that access to the loan is still beneficial to the borrower when taking into consideration its risk profile and alternative borrowing options. The interest rate levels which are considered industry standard are subject to periodic review by the Investment Adviser, based on the prevailing market conditions and prevailing rates across the industry at the time.</p> <p>** This exclusion criterion does not apply to lenders or servicers of U.S. government sponsored mortgage-backed securities, as their compliance of such securitisations with local regulatory standards is already monitored by the U.S. government on an ongoing basis. Such investments will be considered to fall within “#1 Aligned with E/S characteristics”, in response to the question, “<i>What is the asset allocation planned for this financial product?</i>”.</p>
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The Investment Adviser may decide to implement additional restrictions to the Fund, and such new restrictions will be disclosed in the Fund’s SFDR Website Disclosure.

**Good governance** practices include sound management structures, employee relations, remuneration of staff and tax compliance.

● ***What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?***

No minimum reduction rate has been defined in relation to the Fund’s scope of investments. The Investment Adviser cannot provide an estimate of the reduction of the scope of the Fund’s investments caused by the exclusions, due to the challenges associated with tracking the impact of exclusions on the securitized investment universe specifically, taking into consideration the current lack of reliable and consistent third-party data, and the Investment Adviser’s reliance on in-house research and due diligence to determine the eligibility of an investment for the Fund. The Investment Adviser will periodically review this approach.

● ***What is the policy to assess good governance practices of the investee companies?***

As part of its bottom-up, fundamental research process, the Investment Adviser systematically incorporates the assessment of the securitisation’s corporate governance and business practices, including but not limited to the business ethics of lenders and servicers, their legal standing and compliance with all regulatory standards under the applicable jurisdictions, the ownership, management and financial structure of lenders, servicers, or special purpose vehicles established in relation to the securitization, and evidence of tax compliance, in order to ensure that every securitisation in which the Fund invests follows good governance practices.

This is done through the gathering of information and data on governance-related, as well as on other environmental and/or social factors and controversies, as part of the investment due diligence process,

through in-house research or third-party data, where available, and through engagement with management teams of issuers of lenders or servicers, on an as needed basis, to request further details around the securitization, such as clarifications on loan rates setting and payment collection mechanisms. The Investment Adviser also monitors the governance of the originators and the collateral over the life of the investment, through third-party providers, including rating agencies' changes in the annual assessments of the investments.



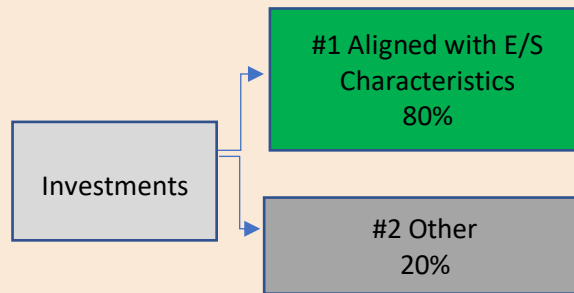
### Asset allocation

describes the share of investments in specific assets.

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.

## What is the asset allocation planned for this financial product?



**#1 Aligned with E/S characteristics** includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

**#2 Other** includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

The social exclusions (as described above) will be applied to at least 80% of the portfolio.

A maximum of 20% of the Fund may be invested in hedging and/or cash instruments for efficient portfolio management purposes, which do not align with any environmental or social characteristics.

These percentages are measured according to the value of the investments.

### ● **How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?**

Derivatives may be used by the Fund for investment or efficient portfolio management (including hedging) purposes only. These instruments are not used to attain the social characteristics of the Fund.



## To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

Not applicable

### ● Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy<sup>1</sup>?

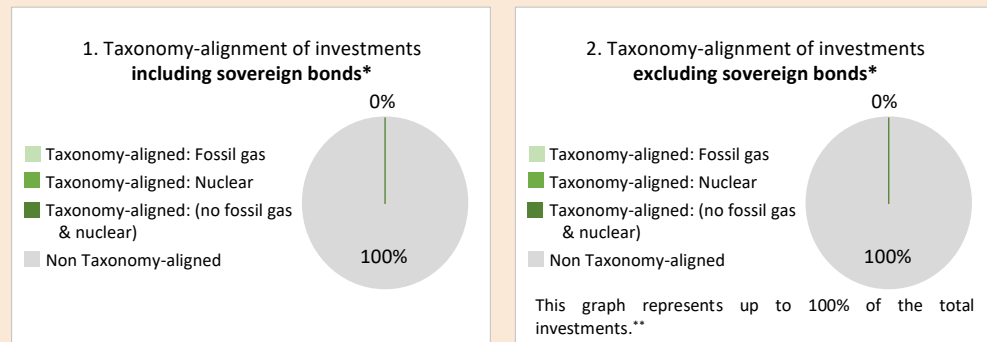
- Yes:  
 In fossil gas     In nuclear energy  
 No

To comply with EU Taxonomy, the criteria for **fossil gas** include limitations on emission and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

**Transitional activities** are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

*The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.*



\* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures.

\*\*The proportion of total investments shown in this graph is purely indicative and may vary over time. As the Fund does not commit to making sustainable investments aligned with the EU Taxonomy, the proportion of any sovereign exposure in the Fund's portfolio will not impact the proportion of sustainable investments aligned with the EU Taxonomy included in the graph.

### ● What is the minimum share of investments in transitional and enabling activities?

Not applicable

<sup>1</sup> Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objective – see explanatory note in the left-hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.



### What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?

Not applicable



are sustainable investments with an environmental objective that **do not take into account** the criteria for environmentally sustainable economic activities under the EU Taxonomy.



### What is the minimum share of socially sustainable investments?

Not applicable

### What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?

The Fund may have investments in hedging instruments for efficient portfolio management and in cash as ancillary liquidity. These instruments are included in the “#2 Other” category and are not subject to environmental and/or social screening or any minimum environmental or social safeguards.



### Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?

Not applicable

**Reference benchmarks** are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.



### Where can I find more product specific information online?

More product-specific information can be found on the website:

[https://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite\\_msinvf\\_floatingrateabs\\_en.pdf](https://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite_msinvf_floatingrateabs_en.pdf)





**Template pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852**

**Product name:**

**Legal entity identifier:**

Global Asset Backed Securities Focused Fund

254900Q1PQGYNB1JBJ13

## Environmental and/or social characteristics

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**.

That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

**Does this financial product have a sustainable investment objective?**

<input checked="" type="radio"/> <input type="radio"/> <b>Yes</b>	<input type="radio"/> <input checked="" type="radio"/> <b>No</b>
<input type="checkbox"/> It will make a minimum of <b>sustainable investments with an environmental objective: ___%</b> <ul style="list-style-type: none"> <li><input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> </ul> <input type="checkbox"/> It will make a minimum of <b>sustainable investments with a social objective: ___%</b>	<input checked="" type="checkbox"/> It <b>promotes Environmental/Social (E/S) characteristics</b> and while it does not have a sustainable investment objective, it will have a minimum proportion of <b>10%</b> of sustainable investments <ul style="list-style-type: none"> <li><input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input checked="" type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> <li><input checked="" type="checkbox"/> with a social objective</li> </ul> <input type="checkbox"/> It promotes E/S characteristics, but <b>will not make any sustainable investments</b>



## What environmental and/or social characteristics are promoted by this financial product?

The Fund promotes the following environmental and social characteristics:

- **Exclusions:** The Fund promotes the social characteristic of avoiding investments in mortgage-backed securities or any other asset-backed securities (“securitisations”) that violate responsible business or lending practices.
- **Best-in-class ESG screening:** The Fund also seeks to invest in securitisations that it considers to be best-in-class on ESG matters, based on proprietary ESG scores calculated by the Investment Adviser, and in doing so, it seeks to promote environmental or social characteristics, such as, but not limited to, certified energy efficient buildings, affordable housing lending or access to credit for underserved social groups. I
- **Sustainable Investments:** The Fund aims to make a minimum of 10% sustainable investments in labelled Sustainable Securitisations (as defined below), which make a positive environmental and/or social contribution through their use of proceeds, as explained in response to the question below, *“What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?”*.

The Fund has not designated a reference benchmark for the purpose of attaining its social characteristics.

**Sustainability indicators** measure how the environmental or social characteristics promoted by the financial product are attained.

### ● **What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?**

The following sustainability indicators are used to measure the attainment of the Fund’s environmental and social characteristics:

- The proportion of the Fund invested in securitisations which breach any of the exclusion criteria which are listed in response to the question *“What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?”*;
- The Fund’s ESG Securitisation score (1-5, 5 is best), calculated at the aggregate portfolio level, based on the Investment Adviser’s proprietary ESG scoring methodology, explained below in response to the question *“What investment strategy does this financial product follow?”*;
- The proportion of the Fund invested in securitisations rated 1 or 2, based on the above mentioned ESG scoring methodology; and
- The Fund’s proportion of net asset value allocated to sustainable investments.

### ● **What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?**

The Fund’s sustainable investments consist of Green, Social or Sustainability Securitised Bonds (“Sustainable Securitisations”), as labelled in the securities’ documentation, where the issuer commits to allocate the proceeds to projects making a positive environmental or social contribution. This includes, but is not limited to, bonds that align with the International Capital Market Association (ICMA)’s Green Bond Principles, Social Bond Principles, and Sustainability Bond Guidelines.

Sustainable Securitisations mobilise financing directly towards a multiplicity of environmental and social projects whose focus spans across a number of sustainability objectives. Examples include, but are not limited to, financing for renewable energy, energy efficiency, affordable housing, and financial inclusion projects. The specific objectives to

which the Sustainable Securitisations contribute depend on the eligible environmental and social project categories of each security.

All Sustainable Securitisations held in the Fund are assessed using the Investment Adviser's proprietary Sustainable Bond Assessment Framework. This evaluation is typically driven at the security level by a score on a scale of 1-5, 5 being best and 3 generally being the minimum threshold for inclusion in the portfolio, but will in some circumstances instead be informed by reliance on recognised green bond guidelines. The sustainable debt score is based on the Investment Adviser's proprietary Sustainable Bond Assessment Framework, which is intended to identify the likely environmental and/or social benefits of the securities in question.

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

● ***How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?***

The Fund's sustainable investments should not cause significant harm to any environmental or social objective. This is assessed by avoiding investments in issuers or securitisation collaterals that violate minimum social safeguards and by excluding issuers or securitisation collaterals which breach the criteria set for the principal adverse impact ("PAI") indicators which the Investment Adviser is required to consider by the EU Sustainable Finance Disclosure Regulation ("SFDR") rules, and which are relevant to the investment.

This assessment is conducted using in-house proprietary as well as third-party research on the sustainability characteristics of the Fund's holdings.

– ***How have the indicators for adverse impacts on sustainability factors been taken into account?***

The "do no significant harm" methodology applied by the Investment Adviser on sustainable investments seeks to exclude investments that cause harm to any of the PAI indicators which are mandatory for the Investment Adviser to consider under SFDR, and which are relevant to the investment.

The Investment Adviser has determined specific metrics and thresholds for what constitutes significant harm to screen PAI indicators that are relevant to the investment, using in-house research and, where available, third-party data to support the analysis.

The Investment Adviser may use reasonable proxy indicators defined by its ESG research team or sourced from third parties to address the current lack of data for certain PAI indicators. The Investment Adviser's use of proxy indicators will be kept under review and will be replaced by data from third-party data providers, when the Investment Adviser determines that sufficiently reliable data has become available.

The Investment Adviser conducts the PAI assessment at either the issuer level or the securitisation's collateral level, depending on the relevance of each applicable indicator in the context of the investment. As an example, in the case of a Green Securitised Bonds with proceeds financing energy efficient buildings, the assessment of any violations of UNGC and OECD Guidelines will be conducted at the securitisation issuer's level, however the assessment of PAI indicators associated with GHG emissions or fossil fuel exposure will be conducted at the collateral level.

The Fund's PAI assessment is supported, on a qualitative basis, by the Investment Adviser's engagement with selected issuers on their corporate governance practices, as well as on other material sustainability issues related to the SDGs, in line with the Investment Adviser's Fixed Income Engagement Strategy, available on [www.morganstanley.com/im](http://www.morganstanley.com/im).

- *How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:*

Investments are screened using third party data, where available, regarding the issuer’s compliance with the UN Guiding Principles on Business and Human Rights. Where the application of this screen reveals potential non-compliance, or where data is not available, the Investment Adviser conducts additional desktop research to verify the issuer’s practices.

*The EU Taxonomy sets out a “do not significant harm” principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.*

*The “do no significant harm” principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.*

*Any other sustainable investments must also not significantly harm any environmental or social objectives.*



### Does this financial product consider principal adverse impacts on sustainability factors?

- Yes  
 No

In considering if an investment can be regarded as a sustainable investment, the Investment Adviser considers the mandatory principal adverse impact (“PAI”) indicators under SFDR.



### What investment strategy does this financial product follow?

The Fund aims to provide an attractive rate of total return, measured in US Dollars, through investments primarily in Fixed Income Securities that are mortgage-backed securities, commercial mortgage-backed securities, collateralized mortgage obligations and covered bonds that are covered by mortgages including uniform mortgage-backed securities. At least 65% of the Fund’s assets will be invested in securities rated investment-grade by an internationally recognized statistical rating organization (“NRSRO”), securities determined to be of similar creditworthiness by the Investment Adviser, or securities backed by the United States of America.

As part of its investment strategy, the Fund aims at reducing exposure to sustainability risks through exclusionary screening of issuers that violate responsible business or lending practices.

In addition, the securitisations are subject to a Best-in-Class ESG Screening. The Investment Adviser assigns to securitisations an ESG Securitised Score (from 1 to 5, where 5 is the best) based on analysis of the nature of the underlying loan/asset, taking into account ESG

**The investment strategy** guides investment decisions based on factors such as investment objectives and risk tolerance.

considerations including, but not limited to: the environmental impact of the underlying properties in commercial mortgage-backed securities (e.g., industrial plants, waste and pollution) and in asset-backed securities (autos or aircraft emissions); the type of borrowers in residential mortgage-backed securities and consumer loan asset-backed securities (e.g., affordable lending to disadvantaged borrowers or to underserved demographics); and lending and collection practices of lenders and servicers.

The investment process is subject to regular review, as part of a control and monitoring framework implemented by the Investment Adviser. The Investment Adviser’s Compliance, Risk and Portfolio Surveillance teams collaborate with the investment team to conduct regular portfolio/performance reviews and systemic checks to ensure compliance with portfolio investment objectives, investment and client guidelines, taking into account changing market conditions, information and strategy developments.

● **What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?**

The binding elements of the investment strategy are applied to the portfolio construction process, as described in the table below.

The criteria are implemented and monitored by the Investment Adviser using a combination of third-party data and in-house research.

Binding criteria	Description
<p><b>The Fund will not invest in securitisations in which:</b></p>	<ul style="list-style-type: none"> <li>• The underlying loans show evidence of predatory lending, as determined by the applicable usury laws, and in the context of market rates and borrower’s risk profile;*</li> <li>• The lender or servicer of the underlying assets has committed severe malpractice around payment collection or has unjustifiably aggressive foreclosure practices;</li> <li>• The lender or servicer of the underlying assets has committed a severe breach of consumer protection standards:                             <ul style="list-style-type: none"> <li>○ as established by the Consumer Financial Protection Bureau (CFPB) in the United States; or</li> <li>○ as established by any relevant regulatory and supervisory agency in the jurisdiction where the securitisation’s originator and/or collateral are located;</li> </ul>                             if the breach relates to the securitisation’s underlying collateral, underwriting and servicing practices, unless the Investment Adviser considers there is evidence of the breach having been or being remediated;** or                         </li> <li>• The originator, lender or servicer has been involved in controversy cases related to business ethics and fraud that the Investment Adviser views as “Very Severe” based on data by relevant ESG data providers, and where the Investment Adviser considers appropriate remedial action has not been taken.</li> </ul> <p>* A loan is considered a predatory loan if:</p> <ul style="list-style-type: none"> <li>• interest rates do not comply with U.S. usury laws or the equivalent in other jurisdictions; or</li> </ul>

	<ul style="list-style-type: none"> <li>• interest rates being offered exceed a limit for which the Investment Adviser deems to be exceedingly higher than the industry standard.</li> </ul> <p>The Investment Advisor may choose to proceed with an investment where interest rates surpass this level if following enhanced due diligence (including through direct engagement with the lending team and/or servicing department on the securitisation deal), the Investment Adviser determines that access to the loan is still beneficial to the borrower when taking into consideration its risk profile and alternative borrowing options. The interest rate levels which are considered industry standard are subject to periodic review by the Investment Adviser, based on the prevailing market conditions and prevailing rates across the industry at the time.</p> <p>** This exclusion criterion does not apply to lenders or servicers of U.S. government sponsored mortgage-backed securities, as their compliance of such securitisations with local regulatory standards is already monitored by the U.S. government on an ongoing basis. Such investments will be considered to fall within “#1 Aligned with E/S characteristics”, in response to the question, “<i>What is the asset allocation planned for this financial product?</i>”.</p>
<p><b>Best-in-class ESG screening</b></p>	<p>The Fund will only invest in securitisations which are rated 3, 4, 5 in an ESG score range of 1-5, where 5 is best. The distribution of ratings is not homogenous. A rating of 3 or greater than 3 signifies that the underlying assets of the securitisation demonstrate responsible lending practices. There is no minimum percentage of securitisations which must be excluded from the investment universe in order to meet this characteristic.</p> <p>Additional details on the Investment Adviser’s ESG scoring methodologies are available on <a href="http://www.morganstanley.com/im">www.morganstanley.com/im</a>.</p>
<p><b>Sustainable investments</b></p>	<p>The Fund will maintain a minimum of 10% of sustainable investments, which meet the criteria as set out in response to the question, “<i>What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?</i>”.</p>

**Good governance** practices include sound management structures, employee relations, remuneration of staff and tax compliance.

● **What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?**

Not applicable.

● **What is the policy to assess good governance practices of the investee companies?**

As part of its bottom-up, fundamental research process, the Investment Adviser systematically incorporates the assessment of the securitisation’s corporate governance and business practices, including but not limited to the business ethics of lenders and servicers, their legal standing and compliance with all regulatory standards under the applicable jurisdictions, the ownership, management and financial structure of lenders, servicers, or special purpose

vehicles established in relation to the securitization, and evidence of tax compliance, in order to ensure that every securitisation in which the Fund invests follows good governance practices.

This is done through the gathering of information and data on governance-related, as well as on other environmental and/or social factors and controversies, as part of the investment due diligence process, through in-house research or third-party data, where available, and through engagement with management teams of issuers of lenders or servicers, on an as needed basis, to request further details around the securitization, such as clarifications on loan rates setting and payment collection mechanisms. The Investment Adviser also monitors the governance of the originators and the collateral over the life of the investment, through third-party providers, including rating agencies' changes in the annual assessments of the investments.

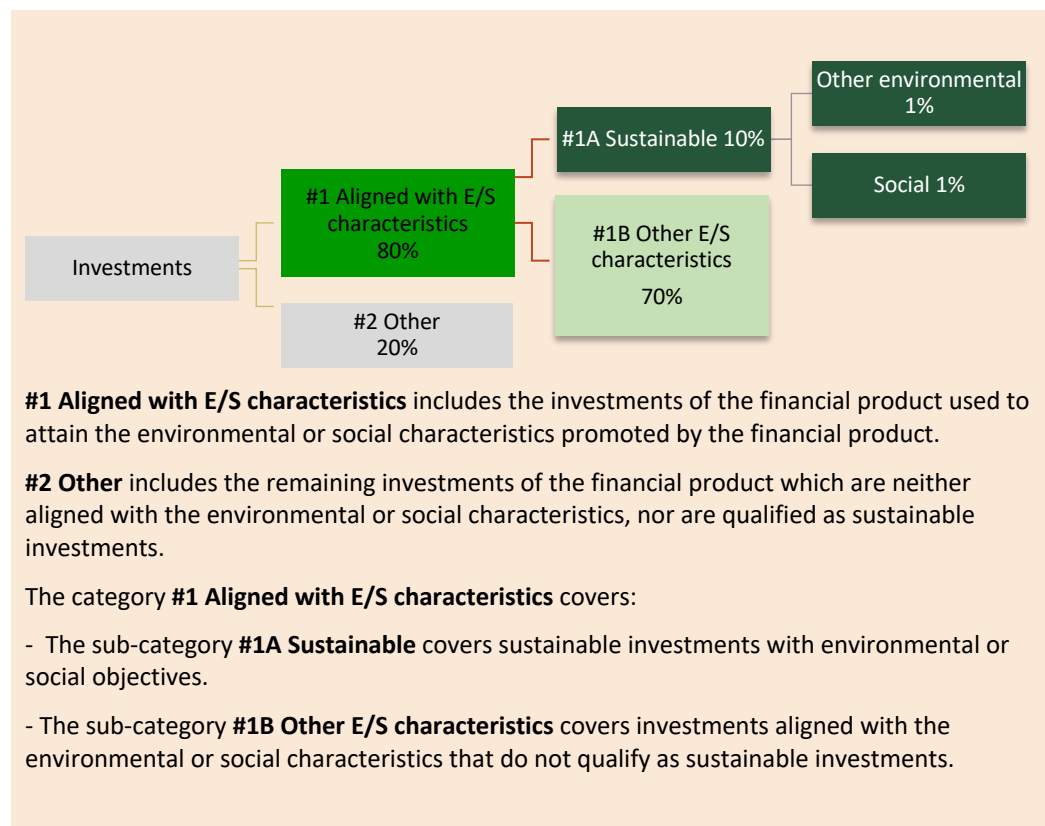


**Asset allocation** describes the share of investments in specific assets.

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.

### What is the asset allocation planned for this financial product?



The exclusions and best-in-class screening criteria (as described above) will be applied to at least 80% of the portfolio, however the Fund also expects to allocate a minimum of 10% of its assets to sustainable investments. Among these sustainable investments, the Fund commits to make a minimum of 1% of sustainable investments with an environmental objective and 1% of sustainable investments with a social objective which can both vary independently at any time.

A maximum of 20% of the Fund may be invested in hedging and/or cash instruments for efficient portfolio management purposes, which do not align with any environmental or social characteristics.

These percentages are measured according to the value of the investments.



● **How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?**

Not applicable.



**To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?**

The Fund does not commit to making a minimum portion of sustainable investments with an environmental objective aligned with the EU Taxonomy.

● **Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy<sup>1</sup>?**

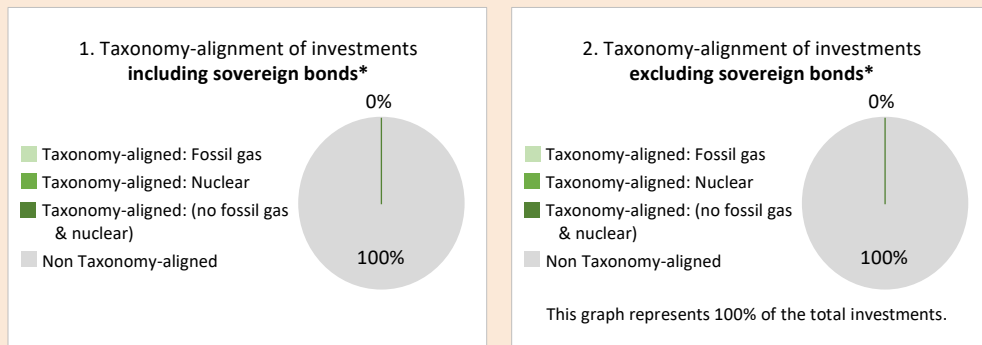
- Yes:
  - In fossil gas
  - In nuclear energy
- No

To comply with EU Taxonomy, the criteria for **fossil gas** include limitations on emission and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

**Transitional activities** are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

*The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.*



\* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures.

<sup>1</sup> Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objective – see explanatory note in the left-hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

● **What is the minimum share of investments in transitional and enabling activities?**

Although the Fund commits to invest in sustainable investments within the meaning of the SFDR, there is no commitment to a minimum share of investments in transitional and enabling activities.



are sustainable investments with an environmental objective that **do not take into account** the criteria for environmentally sustainable economic activities under the EU Taxonomy.

**What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?**

The Fund intends to make a minimum of 10% of sustainable investments with a combination of environmental and social objectives, as described above. Among these, the Fund commits to make a minimum of 1% of sustainable investments with an environmental objective and 1% of sustainable investments with a social objective which can both vary independently at any time. These sustainable investments will represent at least 10% of the portfolio holdings on an aggregated basis.

Although some of these sustainable investments may be Taxonomy aligned, due to lack of available data regarding the Taxonomy alignment of the underlying securities, the Investment Adviser has not been able to confirm whether these investments are in fact Taxonomy aligned and accordingly will not consider them as such in calculations until this data is reported on or otherwise becomes more reliable.



**What is the minimum share of socially sustainable investments?**

As explained above, the Fund may make sustainable investments which contribute to either environmental or social objectives. Among these, the Fund commits to make a minimum of 1% of sustainable investments with an environmental objective and 1% of sustainable investments with a social objective which can both vary independently at any time. These sustainable investments will represent at least 10% of the portfolio holdings on an aggregated basis.

**What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?**

The Fund may have investments in hedging instruments for efficient portfolio management and in cash as ancillary liquidity. These instruments are included in the “#2 Other” category and are not subject to environmental and/or social screening or any minimum environmental or social safeguards.



**Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?**

Not applicable

**Reference benchmarks** are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.



## Where can I find more product specific information online?

More product-specific information can be found on the website:

[https://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite\\_msinvf\\_globalassetbackedsecuritiesfocused\\_en.pdf](https://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite_msinvf_globalassetbackedsecuritiesfocused_en.pdf)

**Pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852**

**Product name:**

Global Asset Backed Securities Fund

**Legal entity identifier:**

5493000D3CS7FYLIY330

## Environmental and/or social characteristics

**Sustainable investment**

means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**.

That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

**Does this financial product have a sustainable investment objective?**

**Yes**

It will make a minimum of **sustainable investments with an environmental objective:** \_\_\_%

- in economic activities that qualify as environmentally sustainable under the EU Taxonomy
- in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

It will make a minimum of **sustainable investments with a social objective:** \_\_\_%

**No**

It **promotes Environmental/Social (E/S) characteristics** and while it does not have as its objective a sustainable investment, it will have a minimum proportion of \_\_\_% of sustainable investments

- with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy
- with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy
- with a social objective

It promotes E/S characteristics, but **will not make any sustainable investments**



## What environmental and/or social characteristics are promoted by this financial product?

The Fund promotes the social characteristic of avoiding investments in securitisations that violate responsible business or lending practices.

Further detail on the nature of these exclusions is set out below (in response to the question, “*What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?*”).

The Fund has not designated a reference benchmark for the purpose of attaining its social characteristics.

**Sustainability indicators** measure how the environmental or social characteristics promoted by the financial product are attained.

- ***What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?***

The sustainability indicator used to measure the attainment of the Fund’s social characteristic of avoiding investments in securitisations which violate responsible business or lending practices is the proportion of the Fund invested in securitisations which breach any of the exclusion criteria.

- ***What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?***

Not applicable

- ***How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?***

Not applicable

- *How have the indicators for adverse impacts on sustainability factors been taken into account?*

Not applicable

- *How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:*

Not applicable

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.



## Does this financial product consider principal adverse impacts on sustainability factors?

- Yes  
 No

The Fund does not consider principal adverse impact (“PAI”) indicators.



## What investment strategy does this financial product follow?

**The investment strategy** guides investment decisions based on factors such as investment objectives and risk tolerance.

The Fund aims to provide an attractive rate of total return, measured in US Dollars, through investments primarily in Fixed Income Securities that are mortgage-backed securities, commercial mortgage-backed securities, collateralized mortgage obligations and covered bonds that are covered by mortgages including uniform mortgage-backed securities. At least 50% of the Fund’s assets will be invested in securities rated investment-grade by an internationally recognised rating agency, securities determined to be of similar creditworthiness by the Investment Adviser, or securities backed by the United States of America.

As part of its investment strategy, the Fund aims at reducing exposure to sustainability risks through exclusionary screening of issuers that violate responsible business or lending practices.

In addition to the ESG considerations described in this document on a binding basis, the Fund integrates ESG considerations in the investment decision-making process to support its social characteristics on a non-binding basis, based on the Investment Adviser’s in-house research and ESG scoring methodologies and, where available, on third-party data.

The investment process is subject to regular review, as part of a control and monitoring framework implemented by the Investment Adviser. The Investment Adviser’s Compliance, Risk and Portfolio Surveillance teams collaborate with the investment team to conduct regular portfolio/performance reviews and systemic checks to ensure compliance with portfolio investment objectives, investment and client guidelines, taking into account changing market conditions, information and strategy developments.

### ● **What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?**

The binding elements of the investment strategy consist of the exclusionary screening criteria applied to the portfolio construction process, as described in the table below.

The criteria are implemented and monitored by the Investment Adviser using a combination of third-party data and in-house research.

Binding criteria	Description
<b>The Fund will not invest in securitisations in which:</b>	<ul style="list-style-type: none"> <li>The underlying loans show evidence of predatory lending, as determined by the applicable usury laws, and in the context of market rates and borrower’s risk profile;*</li> <li>The lender or servicer of the underlying assets has committed severe malpractice around payment collection or has unjustifiably aggressive foreclosure practices;</li> <li>The lender or servicer of the underlying assets has committed a severe breach of consumer protection standards:</li> </ul>

	<ul style="list-style-type: none"> <li>○ as established by the Consumer Financial Protection Bureau (CFPB) in the United States; or</li> <li>○ as established by any relevant regulatory and supervisory agency in the jurisdiction where the securitisation's originator and/or collateral are located;</li> </ul> <p>if the breach relates to the securitisation's underlying collateral, underwriting and servicing practices, unless the Investment Adviser considers there is evidence of the breach having been or being remediated,** or</p> <ul style="list-style-type: none"> <li>● The originator, lender or servicer has been involved in controversy cases related to business ethics and fraud that the Investment Adviser views as "Very Severe" based on data by relevant ESG data providers, and where the Investment Adviser considers appropriate remedial action has not been taken.</li> </ul> <p>* A loan is considered a predatory loan if:</p> <ul style="list-style-type: none"> <li>● interest rates do not comply with U.S. usury laws or the equivalent in other jurisdictions; or</li> <li>● interest rates being offered exceed a limit for which the Investment Adviser deems to be exceedingly higher than the industry standard.</li> </ul> <p>The Investment Adviser may choose to proceed with an investment where interest rates surpass this level if following enhanced due diligence (including through direct engagement with the lending team and/or servicing department on the securitisation deal), the Investment Adviser determines that access to the loan is still beneficial to the borrower when taking into consideration its risk profile and alternative borrowing options. The interest rate levels which are considered industry standard are subject to periodic review by the Investment Adviser, based on the prevailing market conditions and prevailing rates across the industry at the time.</p> <p>** This exclusion criterion does not apply to lenders or servicers of U.S. government sponsored mortgage-backed securities, as their compliance of such securitisations with local regulatory standards is already monitored by the U.S. government on an ongoing basis. Such investments will be considered to fall within "#1 Aligned with E/S characteristics", in response to the question, "What is the asset allocation planned for this financial product?".</p>
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#### Good governance

practices include sound management structures, employee relations, remuneration of staff and tax compliance.

The Investment Adviser may decide to implement additional restrictions to the Fund, and such new restrictions will be disclosed in the Fund's SFDR Website Disclosure.

#### ● **What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?**

No minimum reduction rate has been defined in relation to the Fund's scope of investments. The Investment Adviser cannot provide an estimate of the reduction of the scope of the Fund's investments caused by the exclusions, due to the challenges associated with tracking the impact of exclusions on the securitized investment universe specifically, taking into consideration the current lack of reliable and consistent third-party data, and the Investment Adviser's reliance on in-house research and due diligence to determine the eligibility of an investment for the Fund. The Investment Adviser will periodically review this approach.

● **What is the policy to assess good governance practices of the investee companies?**

As part of its bottom-up, fundamental research process, the Investment Adviser systematically incorporates the assessment of the securitisation’s corporate governance and business practices, including but not limited to the business ethics of lenders and servicers, their legal standing and compliance with all regulatory standards under the applicable jurisdictions, the ownership, management and financial structure of lenders, servicers, or special purpose vehicles established in relation to the securitization, and evidence of tax compliance, in order to ensure that every securitisation in which the Fund invests follows good governance practices.

This is done through the gathering of information and data on governance-related, as well as on other environmental and/or social factors and controversies, as part of the investment due diligence process, through in-house research or third-party data, where available, and through engagement with management teams of issuers of lenders or servicers, on an as needed basis, to request further details around the securitization, such as clarifications on loan rates setting and payment collection mechanisms. The Investment Adviser also monitors the governance of the originators and the collateral over the life of the investment, through third-party providers, including rating agencies’ changes in the annual assessments of the investments.

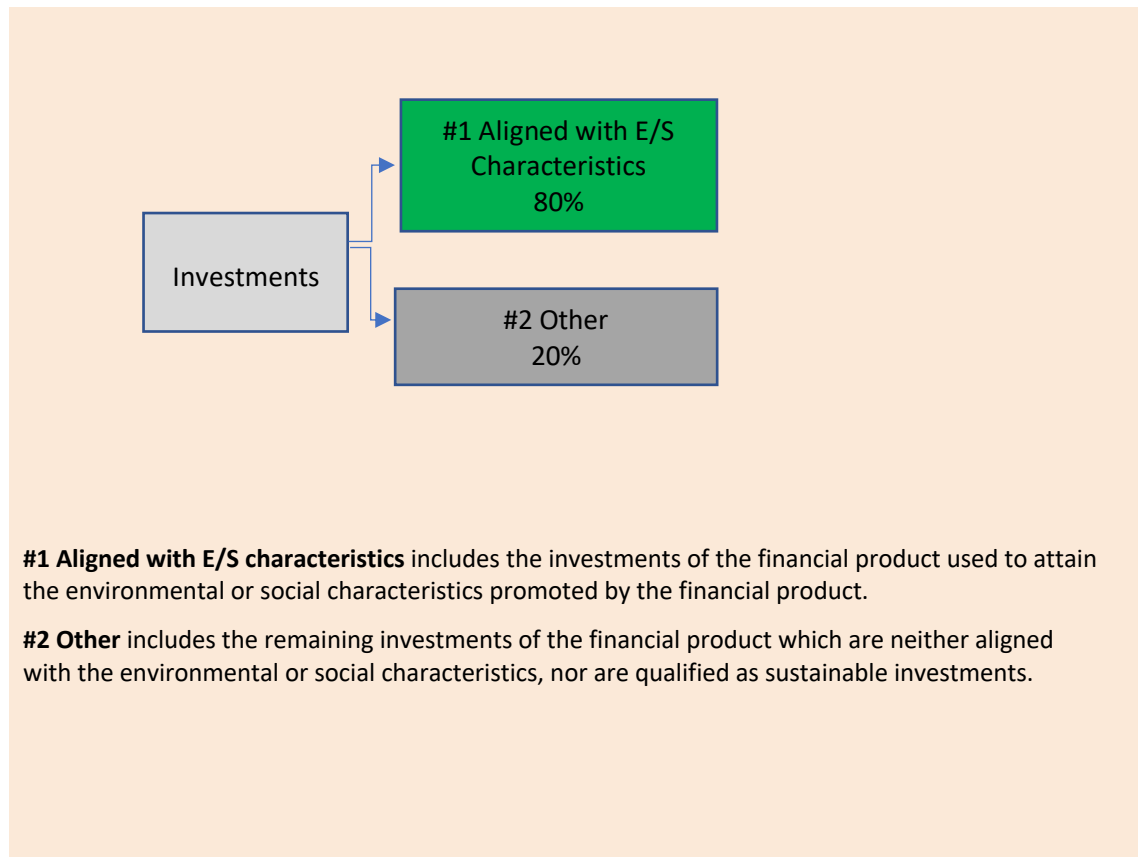


**Asset allocation** describes the share of investments in specific assets.

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure (CapEx)** showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure (OpEx)** reflecting green operational activities of investee companies.

**What is the asset allocation planned for this financial product?**



**#1 Aligned with E/S characteristics** includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

**#2 Other** includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

The social exclusions (as described above) will be applied to at least 80% of the portfolio.

A maximum of 20% of the Fund may be invested in hedging and/or cash instruments for efficient portfolio management purposes, which do not align with any environmental or social characteristics.

These percentages are measured according to the value of the investments.



● **How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?**

Derivatives may be used by the Fund for investment or efficient portfolio management (including hedging) purposes only. These instruments are not used to attain the social characteristics of the Fund.



**To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?**

Not applicable

● **Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy<sup>1</sup>?**

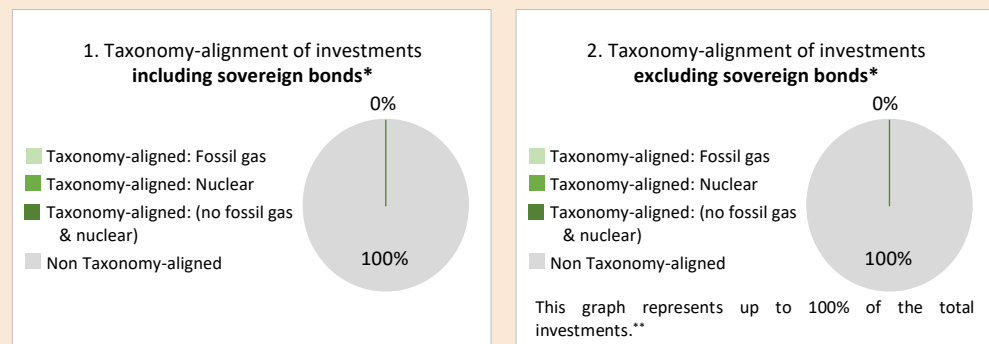
- Yes:  
 In fossil gas     In nuclear energy  
 No

To comply with EU Taxonomy, the criteria for **fossil gas** include limitations on emission and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

**Transitional activities** are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

*The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.*



\* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures.

\*\*The proportion of total investments shown in this graph is purely indicative and may vary over time. As the Fund does not commit to making sustainable investments aligned with the EU Taxonomy, the proportion of any sovereign exposure in the Fund's portfolio will not impact the proportion of sustainable investments aligned with the EU Taxonomy included in the graph.

● **What is the minimum share of investments in transitional and enabling activities?**

Not applicable

<sup>1</sup> Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objective – see explanatory note in the left-hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.



### What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?

Not applicable



are sustainable investments with an environmental objective that **do not take into account** the criteria for environmentally sustainable economic activities under the EU Taxonomy.



### What is the minimum share of socially sustainable investments?

Not applicable



### What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?

The Fund may have investments in hedging instruments for efficient portfolio management and in cash as ancillary liquidity. These instruments are included in the “#2 Other” category and are not subject to environmental and/or social screening or any minimum environmental or social safeguards.



### Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?

Not applicable

**Reference benchmarks** are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.



### Where can I find more product specific information online?

More product-specific information can be found on the website:

[https://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite\\_msinvf\\_globalassetbackedsecurities\\_en.pdf](https://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite_msinvf_globalassetbackedsecurities_en.pdf)

**Pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852**

**Product name:**  
Global Bond Fund

**Legal entity identifier:**  
XTIK5CR06MPXCNP7M95

## Environmental and/or social characteristics

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**.

That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

**Does this financial product have a sustainable investment objective?**

<p><input checked="" type="radio"/> <input type="radio"/> <input type="checkbox"/> <b>Yes</b></p> <p><input type="checkbox"/> It will make a minimum of <b>sustainable investments with an environmental objective: ___%</b></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> </ul> <p><input type="checkbox"/> It will make a minimum of <b>sustainable investments with a social objective: ___%</b></p>	<p><input checked="" type="radio"/> <input type="radio"/> <input checked="" type="checkbox"/> <b>No</b></p> <p><input checked="" type="checkbox"/> It <b>promotes Environmental/Social (E/S) characteristics</b> and while it does not have as its objective a sustainable investment, it will have a minimum proportion of <u>20</u>% of sustainable investments</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input checked="" type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> <li><input checked="" type="checkbox"/> with a social objective</li> </ul> <p><input type="checkbox"/> It promotes E/S characteristics, but <b>will not make any sustainable investments</b></p>
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## What environmental and/or social characteristics are promoted by this financial product?

The Fund promotes the environmental characteristic of climate change mitigation by excluding investments in certain types of fossil fuels. In addition, the Fund promotes the social characteristic of avoiding investments in activities which can cause harm to human health and wellbeing, in sovereign issuers that significantly violate social rights, and securitisations that violate responsible business or lending practices.

Further detail on the nature of these exclusions is set out below (in response to the question, “*What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?*”).

The Fund also aims to make a minimum of 20% sustainable investments in:

- Corporate issuers whose business practices, products or solutions, make a net positive contribution towards United Nations’ Sustainable Development Goals (“SDGs”);
- Sovereign issuers with ESG scores in the top-2 ranks according to the Investment Adviser’s proprietary scoring methodology, associated with positive environmental or social attributes; or
- Sustainable Bonds, from any type of issuer, which make a positive environmental or social contribution through their use of proceeds, as explained in response to the question below, “*What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?*”

The Fund has not designated a reference benchmark for the purpose of attaining its environmental or social characteristics.

**Sustainability indicators** measure how the environmental or social characteristics promoted by the financial product are attained.

### ● ***What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?***

The sustainability indicator used to measure the attainment of the Fund’s environmental and social characteristics is the Fund’s exposure, in percentage market value, to issuers that violate any of the exclusion criteria. Additional details on the Fund’s exclusions criteria and methodology are provided below in response to the question, “*What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?*”

### ● ***What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?***

The Fund’s sustainable investments will fall within one of the following categories:

- Green, Social or Sustainability Bonds (“Sustainable Bonds”), as labelled in the securities’ documentation, where the issuer commits to allocate the proceeds to projects making a positive environmental or social contribution. This includes, but is not limited to, bonds that align with the International Capital Market Association (ICMA)’s Green Bond Principles, Social Bond Principles, and Sustainability Bond Guidelines, and bonds which have been assessed through the Investment Adviser’s proprietary Sustainable Bond evaluation framework. Sustainable Bonds mobilise financing directly towards a multiplicity of environmental and social projects whose focus spans across a number of sustainability objectives. Examples include, but are not limited to, financing for renewable energy, energy efficiency, clean transportation, affordable housing, and financial inclusion projects. The specific objectives to which the Sustainable Bonds contribute depend on the eligible environmental and social project categories of each security.
- Bonds from corporate issuers whose business practices, products or solutions, make a net positive contribution towards the SDGs. The SDGs were adopted by the United Nations in

2015 as a universal call to action to end poverty, protect the planet and ensure that by 2030 all people enjoy peace and prosperity. The Investment Adviser defines positive contribution to the SDGs as a net positive aggregate alignment score across all the SDGs (i.e., scores measuring positive contribution to individual SDGs have to, in total, be greater than the total of any negative contribution scores), based on third-party data. The Investment Adviser will also only include issuers which have sufficient positive SDG alignment (in the Investment Adviser's view) with at least one individual SDG, and which do not have any material mis-alignments (in the Investment Adviser's view) on any of the SDGs.

- Bonds from sovereign issuers with an ESG rank of 4 or 5, in a 1-5 range where 5 is best, based on the Investment Adviser's proprietary ESG scoring methodology. Ranks of 4 and 5 reflect a country's positive contribution towards environmental and social themes such as decarbonisation, forestry conservation, promotion of education, health and wellbeing, and good living standards. The Investment Adviser will, however, not treat the investment as sustainable if the sovereign issuer ranked 4 or 5 has experienced recent negative momentum as assessed through in-house research, which is not captured by ESG data providers. For example, this may include circumstances where a country is facing significant political and/or social instability.

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

● ***How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?***

The Fund's sustainable investments aim not to cause significant harm to any environmental or social objective, by:

- avoiding investments in issuers that violate minimum social safeguards; and
- by the Fund excluding issuers which breach thresholds set by the Investment Advisers relating to the principal adverse impact ("PAI") indicators which the Investment Adviser is required to consider by the EU Sustainable Finance Disclosure Regulation ("SFDR") rules, and which are relevant to the investment.

This assessment is conducted using in-house proprietary as well as third-party research on the sustainability characteristics of the Fund's holdings.

– ***How have the indicators for adverse impacts on sustainability factors been taken into account?***

The "do no significant harm" methodology applied by the Investment Adviser on sustainable investments seeks to exclude investments that cause harm to any of the PAI indicators (listed below) which are mandatory for the Investment Adviser to consider under the EU SFDR rules, and which are relevant to the investment.

PAI indicators:

**Investee companies**

1. GHG emissions
2. Carbon Footprint
3. GHG intensity of investee companies
4. Exposure to companies active in the fossil sector
5. Share of non-renewable energy consumption and production
6. Energy consumption intensity per high impact climate sector
7. Activities negatively affecting biodiversity sensitive areas
8. Emissions to water
9. Hazardous waste ratio
10. Violations of UN Global Compact and OECD

11. Lack of processes and compliance mechanisms to monitor compliance with the UNGC and OECD
12. Unadjusted gender pay gap
13. Board gender diversity
14. Exposure to controversial weapons

#### **Sovereign**

1. Sovereign GHG intensity
2. Investee countries subject to social violations

The Investment Adviser has determined specific metrics and quantitative thresholds for what constitutes significant harm to screen PAI indicators that are relevant to the investment, using third-party data as well as in-house research. The thresholds are set: (i) on an absolute value basis; (ii) on a relative basis in the context of the investment universe; or (iii) using pass/fail scores. Different metrics or thresholds may apply to issuers located in developed markets and in emerging markets, respectively. This is intended to reflect the different extent to which the Investment Adviser deems that meeting minimum sustainability standards in these markets is currently achievable. In addition, different relative thresholds may apply to similar indicators: for example, the Investment Adviser currently applies a lower threshold to determine significant adverse impact with respect to scope 3 emissions intensity as compared to scope 1 and 2 emissions intensity. This is because: (i) companies have less control over their indirect emissions; and (ii) data estimates for scope 3 emissions, which currently prevail over reported data compared to scope 1 and 2 emissions, may result in a less accurate PAI assessment.

The Investment Adviser may use reasonable proxy indicators sourced from third parties to address the current lack of data for certain PAI indicators. The Investment Adviser's use of proxy indicators will be kept under review and will be replaced by PAI data from third-party data providers, when the Investment Adviser determines that sufficiently reliable data has become available.

The Investment Adviser generally conducts the PAI assessment at the issuer level. However, where appropriate the assessment may be done at the security level in whole or in part. For instance, in the case of Sustainable Bonds, as defined above, the PAI indicators that are directly related to the sustainability factors targeted by the bond's use of proceeds will be assessed at the security level, through the Investment Adviser's proprietary Sustainable Bond Evaluation Framework. As an example, the Fund may invest in a Green Bond issued by a utility company that has a negative assessment of the PAI indicators related to GHG emissions and/or GHG intensity, as long as the Investment Adviser evaluates that the issuer has a credible strategy to reduce its GHG emissions, and that the Green Bond specifically contributes towards such goal. Other PAI indicators that are unrelated to the Sustainable Bond's use of proceeds are still assessed at the issuer level.

The Fund's PAI assessment is supported, on a qualitative basis, by the Investment Adviser's engagement with selected issuers on their corporate governance practices, as well as on other material sustainability issues related to the SDGs, in line with the Investment Adviser's Fixed Income Engagement Strategy, available on

[www.morganstanley.com/im](http://www.morganstanley.com/im)

— *How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:*

The Fund's sustainable investments exclude issuers which have experienced very severe controversies that are deemed to violate the UN Global Compact, the UN Guiding Principles on Business and Human Rights, or the ILO Fundamental Principles, and issuers with very severe controversies related to violations of the OECD Guidelines for Multinational Enterprises. This screening is done using third-party data.

*The EU Taxonomy sets out a “do not significant harm” principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.*

*The “do no significant harm” principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.*

*Any other sustainable investments must also not significantly harm any environmental or social objectives.*

Regulation requires that this document include these statements. However, for the avoidance of doubt, this Fund does not: (i) take into account the EU criteria for environmentally sustainable economic activities in the EU Taxonomy; or (ii) calculate its portfolio alignment with the EU Taxonomy. As such, the Fund is 0% aligned with the EU Taxonomy. The “do no significant harm” principle applies only to the portion of the Fund’s investments that are sustainable investments.



### Does this financial product consider principal adverse impacts on sustainability factors?

- Yes  
 No

The Fund considers all of the mandatory PAI on sustainability factors which are relevant to the investment for the portion allocated to sustainable investments, as described above in response to the question, “How have the indicators for adverse impacts on sustainability factors been taken into account?”

The portion of the Fund that is not made of sustainable investments considers the PAI only in part through the Fund’s exclusionary criteria, as follows:

- The Fund excludes issuers which derive any revenue from thermal coal mining and extraction. The Fund therefore partly considers the PAI indicator 4: exposure to companies active in the fossil fuel sector.
- The Fund excludes issuers which derive any revenue from controversial weapons manufacturing or retail. The Fund therefore considers in whole the PAI indicator 14: exposure to controversial weapons.
- The Fund excludes sovereign issuers where there is evidence of them having caused significant harm from social violations, which the Investment Adviser defines in relation to the bottom-10% ranked countries on an indicator reflecting the fulfilment of social rights, as further explained in response to the question, “What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?” The Fund therefore considers in part the PAI indicator number 16: investee countries subject to social violations.

The Fund will make information available on how it has incorporated the PAIs into the Fund in its periodic reports to investors.



**The investment strategy** guides investment decisions based on factors such as investment objectives and risk tolerance.

## What investment strategy does this financial product follow?

The Fund aims to provide an attractive rate of relative return, measured in US Dollars, through market, instrument and currency selection. The Fund will invest primarily in domestic, international, emerging market and Euromarket Fixed Income Securities of varying maturities denominated in US Dollars and other currencies, including asset-backed securities (including mortgage backed securities), loan participations and loan assignments, to the extent that these instruments are securitised, while reducing exposure to sustainability risks through exclusionary screening of selected fossil fuels and of activities which can cause dangers to human health and wellbeing.

In addition to the ESG considerations described in this summary on a binding basis, the Fund integrates ESG considerations in the investment decision-making process to support its environmental and social characteristics on a non-binding basis, based on the Investment Adviser’s in-house research and methodologies and on third-party data.

The investment process is subject to regular review, as part of a control and monitoring framework implemented by the Investment Adviser. The Investment Adviser’s Compliance, Risk and Portfolio Surveillance teams collaborate with the investment team to conduct regular portfolio/performance reviews and systemic checks to ensure compliance with portfolio investment objectives and environmental and social characteristics, taking into account changing market conditions, information and strategy developments.

● **What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?**

The binding elements of the investment strategy are described in the table below.

The criteria are implemented and monitored by the Investment Adviser using a combination of third-party data and in-house research.

Binding criteria	
<p><b>The Fund will not invest in corporate issuers which:</b></p>	<p><b><u>Derive any revenue from any of the following activities:</u></b></p> <ul style="list-style-type: none"> <li>• Controversial weapons manufacturing or retail (anti-personnel landmines, cluster munitions, biological or chemical weapons, and nuclear weapons);</li> <li>• Civilian firearms manufacturing or retail;</li> <li>• Tobacco manufacturing; or</li> </ul> <p><b><u>Derive more than 5% revenue from any of the following activities:</u></b></p> <ul style="list-style-type: none"> <li>• Thermal coal mining and extraction. The Fund may, as an exception, invest in labelled Sustainable Bonds issued by fossil fuel companies, which are intended to raise proceeds specifically for projects that promote positive environmental contributions mitigating the adverse sustainability impact of coal, such as renewable energy or energy efficiency, based on information available in the bond issuance documentation.</li> </ul>



<p><b>The Fund will not invest in sovereign issuers which:</b></p>	<p>Are in the bottom-10% ranked countries for social violations, based on the Investment Adviser’s custom indicator.</p> <p>The social violations custom indicator is calculated by the Investment Adviser taking into consideration a country’s performance on issues including, but not limited to, the application of human rights and civil liberties, the quality of contract enforcement and security, freedom of expression, association and free media, as assessed by underlying data from third parties.</p> <p>Investments that are held by the Fund but become restricted because they breach the investment exclusions set out above, after they are acquired for the Fund, will be sold. Such sales will take place over a period of time to be determined by the Investment Adviser, taking into account the best interests of the shareholders of the Fund.</p> <p>In addition, any investments in sovereign issuers exhibiting positive momentum with respect to such violations, shall not be subject to the purchase restriction. For example, if a country is in the process of making significant remediation efforts, such as through electoral or policy reforms and engagement with civil society, with regard to any social violations, the Investment Adviser may not exclude the investment from the Fund, provided this is kept under review by the Investment Adviser.</p>
<p><b>The Fund will not invest in securitisations in which:</b></p>	<ul style="list-style-type: none"> <li>• The underlying loans show evidence of predatory lending, as determined by the applicable usury laws, and in the context of market rates and borrower’s risk profile;*</li> <li>• The lender or servicer of the underlying assets has committed a severe breach of consumer protection standards: <ul style="list-style-type: none"> <li>○ as established by the Consumer Financial Protection Bureau (CFPB) in the United States; or</li> <li>○ as established by any relevant regulatory and supervisory agency in the jurisdiction where the securitisation’s originator and/or collateral are located;</li> </ul> <p>if the breach relates to the securitisation’s underlying collateral, underwriting and servicing practices, unless there is evidence of the breach having been or being remediated;** or</p> </li> <li>• The originator, lender or servicers has been involved in controversy cases related to business ethics and fraud that the Investment Adviser views as “Very Severe” based on data by relevant ESG data providers, and where the Investment Adviser considers appropriate remedial action has not been taken.</li> </ul> <p>* A loan is considered a predatory loan if:</p> <ul style="list-style-type: none"> <li>• Interest rates do not comply with U.S. usury laws or the equivalent in other jurisdictions; or</li> <li>• Interest rates being offered exceed a limit for which the Investment Adviser deems to be exceedingly higher than the industry standard. The Investment Adviser may choose to proceed with an investment where interest rates where interest rates surpass this level if following enhanced due diligence (including through direct</li> </ul>

	<p>engagement with the lending team and/or servicing department on the securitisation deal), the Investment Adviser determines that access to the loan is still beneficial to the borrower when taking into consideration its risk profile and alternative borrowing options. The interest rate levels which are considered industry standard are subject to periodic review by the Investment Adviser, based on the prevailing market conditions and prevailing rates across the industry at the time.</p> <p>** This exclusion criterion does not apply to lenders or servicers of U.S. government sponsored mortgage-backed securities, as their compliance of such securitisations with local regulatory standards is already monitored by the U.S. government on an ongoing basis. Such investments will be considered to fall within “#1 Aligned with E/S characteristics”, in response to the question, “<i>What is the asset allocation planned for this financial product?</i>”</p>
<b>Sustainable investments</b>	<p>The Fund will maintain a minimum of 20% of sustainable investments, which meet the criteria as set out in response to the question, “<i>What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?</i>”</p>

**Good governance** practices include sound management structures, employee relations, remuneration of staff and tax compliance.

The Investment Adviser may decide to implement additional restrictions to the Fund, and such new restrictions will be disclosed in the Fund’s SFDR Website Disclosure.

● ***What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?***

The Fund does not target a specific reduction rate of the scope of investments.

● ***What is the policy to assess good governance practices of the investee companies?***

As part of its bottom-up, fundamental research process, the Investment Adviser systematically incorporates the assessment of an issuer’s corporate governance and business practices, including but not limited to evidence of sound management structures and employee relations, fair remuneration of staff, and tax compliance, in order to ensure that every investee company follows good governance practices.

This is done through the monitoring of data on governance-related, as well as on other environmental and/or social factors and controversies, sourced from third party providers, through in-house research, and through engagement with the management of selected issuers on corporate governance and disclosure issues.

In addition, the Fund’s sustainable investments exclude any company that is involved in very severe governance-related controversies.



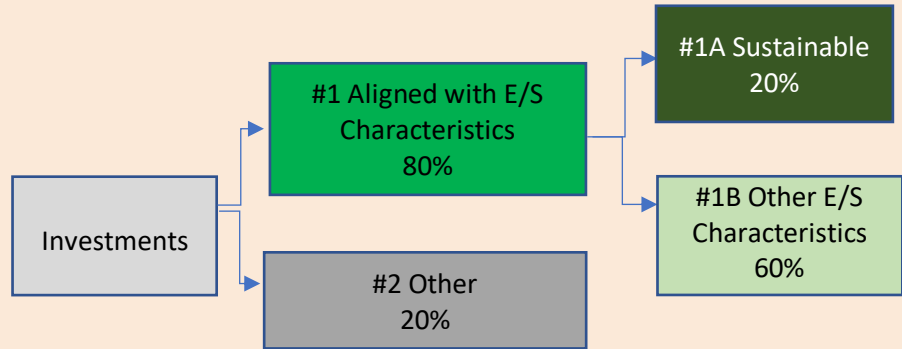
### Asset allocation

describes the share of investments in specific assets.

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.

## What is the asset allocation planned for this financial product?



**#1 Aligned with E/S characteristics** includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

**#2 Other** includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

The category #1 Aligned with E/S characteristics covers:

- The sub-category #1A Sustainable covers sustainable investments with environmental or social objectives.
- The sub-category #1B Other E/S characteristics covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.

The exclusions (as described above) will be applied to at least 80% of the portfolio, however the Fund also expects to allocate a minimum of 20% of its assets to sustainable investments. Among these sustainable investments, the Fund commits to make a minimum of 1% of sustainable investments with an environmental objective and 1% of sustainable investments with a social objective which can both vary independently at any time.

A maximum of 20% of the Fund's assets may be invested in hedging and/or cash instruments for efficient portfolio management purposes, which do not align with any environmental or social characteristics.

As explained above, any investments that are held by the Fund but become restricted because they breach the investment exclusions set out above, after they are acquired for the Fund, will be sold. Such sales will take place over a period of time to be determined by the Investment Adviser, taking into account the best interests of the shareholders of the Fund. Such investments are included in the "#2 Other" category.

These percentages are measured according to the value of the investments.

### ● **How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?**

Derivatives may be used by the Fund for investment or efficient portfolio management (including hedging) purposes only. These instruments are not used to attain the environmental or social characteristics of the Fund.



## To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

Not applicable – the Investment Adviser does not take account of the EU Taxonomy in its management of the Fund and as such the Fund’s sustainable investments do not take into account the criteria for environmentally sustainable economic activities under the EU Taxonomy.

### ● Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy<sup>1</sup>?

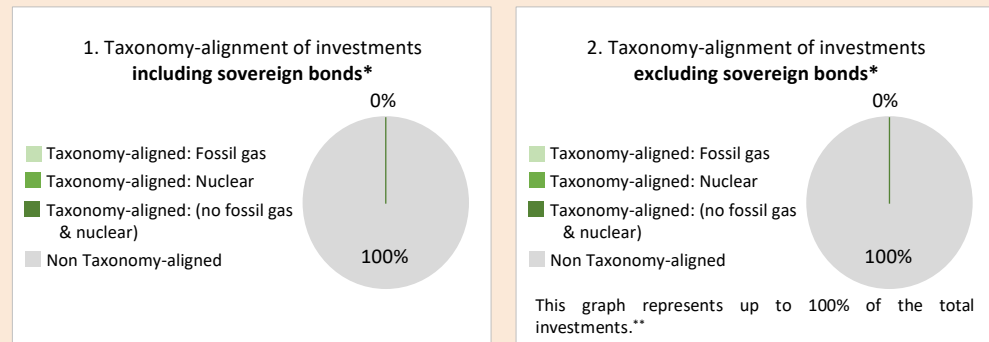
- Yes:  
 In fossil gas     In nuclear energy  
 No

To comply with EU Taxonomy, the criteria for **fossil gas** include limitations on emission and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

**Transitional activities** are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

*The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.*



\* For the purpose of these graphs, ‘sovereign bonds’ consist of all sovereign exposures.

\*\*The proportion of total investments shown in this graph is purely indicative and may vary over time. As the Fund does not commit to making sustainable investments aligned with the EU Taxonomy, the proportion of any sovereign exposure in the Fund’s portfolio will not impact the proportion of sustainable investments aligned with the EU Taxonomy included in the graph.

### ● What is the minimum share of investments in transitional and enabling activities?

Not applicable - Although the Fund commits to invest in sustainable investments within the meaning of the SFDR, there is no commitment to a minimum share of investments in transitional and enabling activities.

<sup>1</sup> Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change (“climate change mitigation”) and do not significantly harm any EU Taxonomy objective – see explanatory note in the left-hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.



are sustainable investments with an environmental objective that **do not take into account** the criteria for environmentally sustainable economic activities under the EU Taxonomy.

### What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?

The Fund may make sustainable investments, as defined under the SFDR, which contribute to either environmental or social objectives. Among these, the Fund commits to make a minimum of 1% of sustainable investments with an environmental objective and 1% of sustainable investments with a social objective which can both vary independently at any time. These sustainable investments will represent at least 20% of the portfolio holdings on an aggregated basis.

The Fund's sustainable investments with an environmental objective **do not take into account the criteria** for environmentally sustainable economic activities under the EU Taxonomy.

Although some of these sustainable investments may be Taxonomy aligned, due to lack of available data regarding the Taxonomy alignment of the underlying securities, the Investment Adviser has not been able to confirm whether these investments are in fact Taxonomy aligned and accordingly will not consider them as such in calculations until this data is reported on or otherwise becomes more reliable. As such, the Investment Adviser uses its own methodology to determine whether certain investments are sustainable in accordance with the SFDR sustainable investment test, and then invests in such assets for the Fund.



### What is the minimum share of socially sustainable investments?

The Fund intends to make a minimum of 20% sustainable investments, with a combination of environmental and social objectives. Among these, the Fund commits to make a minimum of 1% of sustainable investments with an environmental objective and 1% of sustainable investments with a social objective which can both vary independently at any time. These sustainable investments will represent at least 20% of the portfolio holdings on an aggregated basis.



### What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?

The Fund may have investments in hedging instruments for efficient portfolio management and in cash as ancillary liquidity. These instruments are included in the “#2 Other” category and are not subject to environmental and/or social screening or any minimum environmental or social safeguards.



### Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?

Not applicable

**Reference benchmarks** are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.



### Where can I find more product specific information online?

More product-specific information can be found on the website:

[https://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite\\_msinvf\\_globalbond\\_en.pdf](https://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite_msinvf_globalbond_en.pdf)

**Pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852**

**Product name:**

Global Convertible Bond Fund

**Legal entity identifier:**

K3YUM7KVVWUDP746NXC39

## Environmental and/or social characteristics

**Sustainable investment**

means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**.

That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

**Does this financial product have a sustainable investment objective?**

**Yes**

**No**

It will make a minimum of **sustainable investments with an environmental objective: \_\_\_%**

- in economic activities that qualify as environmentally sustainable under the EU Taxonomy
- in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

It will make a minimum of **sustainable investments with a social objective: \_\_\_%**

It **promotes Environmental/Social (E/S) characteristics** and while it does not have as its objective a sustainable investment, it will have a minimum proportion of 5% of sustainable investments

- with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy
- with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy
- with a social objective

It promotes E/S characteristics, but **will not make any sustainable investments**



## What environmental and/or social characteristics are promoted by this financial product?

The Fund promotes the environmental characteristic of climate change mitigation by excluding investments in certain types of fossil fuels. In addition, the Fund promotes the social characteristic of avoiding investments in certain activities which can cause harm to human health and wellbeing.

Further detail on the nature of these exclusions is set out below (in response to the question, “*What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?*”).

The Fund also aims to make a minimum of 5% sustainable investments in:

- Corporate issuers whose business practices, products or solutions, make a net positive contribution towards United Nations’ Sustainable Development Goals (“SDGs”); or
- Sustainable Bonds which make a positive environmental or social contribution through their use of proceeds, as explained in response to the question below, “*What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?*”.

The Fund has not designated a reference benchmark for the purpose of attaining its environmental or social characteristics.

**Sustainability indicators** measure how the environmental or social characteristics promoted by the financial product are attained.

### ● **What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?**

The sustainability indicator used to measure the attainment of the Fund’s environmental and social characteristics is the Fund’s exposure, in percentage market value, to issuers that violate any of the exclusion criteria. Additional details on the Fund’s exclusions criteria and methodology are provided below in response to the question, “*What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?*”

### ● **What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?**

The Fund’s sustainable investments will fall within one of the following categories:

- Green, Social or Sustainability Bonds (“Sustainable Bonds”), as labelled in the securities’ documentation, where the issuer commits to allocate the proceeds to projects making a positive environmental or social contribution. This includes, but is not limited to, bonds that align with the International Capital Market Association (ICMA)’s Green Bond Principles, Social Bond Principles, and Sustainability Bond Guidelines. Sustainable Bonds mobilise financing directly towards a multiplicity of environmental and social projects whose focus spans across a number of sustainability objectives. Examples include, but are not limited to, financing for renewable energy, energy efficiency, clean transportation, affordable housing, and financial inclusion projects. The specific objectives to which the Sustainable Bonds contribute depend on the eligible environmental and social project categories of each security.
- Bonds from corporate issuers whose business practices, products or solutions, make a net positive contribution towards the SDGs. The SDGs were adopted by the United Nations in 2015 as a universal call to action to end poverty, protect the planet and ensure that by 2030 all people enjoy peace and prosperity. The Investment Adviser defines positive contribution to the SDGs as a net positive aggregate alignment score across all the SDGs (i.e., scores measuring positive contribution to individual SDGs have to, in total, be greater than the total of any negative contribution scores), based on third-party data. The Investment Adviser will also only include issuers which have sufficient positive SDG alignment (in the Investment

Adviser's view) with at least one individual SDG, and which do not have any material misalignments (in the Investment Adviser's view) on any of the SDGs.

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

● ***How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?***

The Fund's sustainable investments aim not to cause significant harm to any environmental or social objective, by:

- avoiding investments in issuers that violate minimum social safeguards; and
- by the Fund excluding issuers which breach thresholds set by the Investment Adviser relating to the principal adverse impact ("PAI") indicators which the Investment Adviser is required to consider by the EU Sustainable Finance Disclosure Regulation ("SFDR") rules, and which are relevant to the investment.

This assessment is conducted using in-house proprietary as well as third-party research on the sustainability characteristics of the Fund's holdings.

– ***How have the indicators for adverse impacts on sustainability factors been taken into account?***

The "do no significant harm" methodology applied by the Investment Adviser on sustainable investments seeks to exclude investments that cause harm to any of the PAI indicators (listed below) which are mandatory for the Investment Adviser to consider under the EU SFDR rules, and which are relevant to the investment.

PAI indicators:

**Investee companies**

1. GHG emissions
2. Carbon Footprint
3. GHG intensity of investee companies
4. Exposure to companies active in the fossil sector
5. Share of non-renewable energy consumption and production
6. Energy consumption intensity per high impact climate sector
7. Activities negatively affecting biodiversity sensitive areas
8. Emissions to water
9. Hazardous waste ratio
10. Violations of UN Global Compact and OECD
11. Lack of processes and compliance mechanisms to monitor compliance with the UNGC and OECD
12. Unadjusted gender pay gap
13. Board gender diversity
14. Exposure to controversial weapons

The Investment Adviser has determined specific metrics and quantitative thresholds for what constitutes significant harm to screen PAI indicators that are relevant to the investment, using third-party data. The thresholds are set: (i) on an absolute value basis; (ii) on a relative basis in the context of the investment universe; or (iii) using pass/fail scores. Different metrics or thresholds may apply to issuers located in developed markets and in emerging markets, respectively. This is intended to reflect the different extent to which the Investment Adviser deems that meeting minimum sustainability standards in these markets is currently achievable. In addition, different relative thresholds may apply to similar indicators: for example, the Investment Adviser currently applies a lower threshold to determine significant adverse impact with respect to scope 3 emissions intensity as compared to scope 1 and 2 emissions intensity. This is because: (i) companies have less control over their indirect emissions; and (ii) data estimates for scope 3 emissions, which



currently prevail over reported data compared to scope 1 and 2 emissions, may result in a less accurate PAI assessment.

The Investment Adviser may use reasonable proxy indicators sourced from third parties to address the current lack of data for certain PAI indicators. The Investment Adviser's use of proxy indicators will be kept under review, and will be replaced by PAI data from third-party data providers when the Investment Adviser determines that sufficiently reliable data has become available.

The Investment Adviser generally conducts the PAI assessment at the issuer level. However, where appropriate the assessment may be done at the security level in whole or in part. For instance, in the case of Sustainable Bonds, as defined above, the PAI indicators that are directly related to the sustainability factors targeted by the bond's use of proceeds will be assessed at the security level, through the Investment Adviser's proprietary Sustainable Bond Evaluation Framework. As an example, the Fund may invest in a Green Bond issued by a utility company that has a negative assessment under the PAI indicators related to GHG emissions and/or GHG intensity, as long as the Investment Adviser evaluates that the issuer has a credible strategy to reduce its GHG emissions and the Green Bond specifically contributes towards such goal. Other PAI indicators that are unrelated to the Sustainable Bond's use of proceeds are assessed at the issuer level.

The Fund's PAI assessment is supported, on a qualitative basis, by the Investment Adviser's engagement with selected issuers on their corporate governance practices, as well as on other material sustainability issues related to the SDGs, in line with the Investment Adviser's Fixed Income Engagement Strategy, available on [www.morganstanley.com/im](http://www.morganstanley.com/im)

– *How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:*

The Fund's sustainable investments exclude issuers which have experienced very severe controversies that are deemed to violate the UN Global Compact, the UN Guiding Principles on Business and Human Rights, or the ILO Fundamental Principles, and issuers with very severe controversies related to violations of the OECD Guidelines for Multinational Enterprises. This screening is done using third-party data.

*The EU Taxonomy sets out a "do not significant harm" principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.*

*The "do no significant harm" principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.*

*Any other sustainable investments must also not significantly harm any environmental or social objectives.*

Regulation requires that this document include these statements. However, for the avoidance of doubt, this Fund does not: (i) take into account the EU criteria for environmentally sustainable economic activities in the EU Taxonomy; or (ii) calculate its portfolio alignment with the EU Taxonomy. As such, the Fund is 0% aligned with the EU Taxonomy. The "do no significant harm" principle applies only to the portion of the Fund's investments that are sustainable investments.



## Does this financial product consider principal adverse impacts on sustainability factors?

- Yes  
 No

The Fund considers all of the mandatory PAI on sustainability factors which are relevant to the investment for the portion allocated to sustainable investments, as described above in response to the question, “How have the indicators for adverse impacts on sustainability factors been taken into account?”

The portion of the Fund that is not made of sustainable investments considers the PAI only in part through the Fund’s exclusionary criteria, as follows:

- The Fund excludes issuers which derive any revenue from thermal coal mining and extraction. The Fund therefore partly considers the PAI indicator 4: exposure to companies active in the fossil fuel sector.
- The Fund excludes issuers which derive any revenue from controversial weapons manufacturing or retail. The Fund therefore considers in whole the PAI indicator 14: exposure to controversial weapons.

The Fund will make information available on how it has incorporated the PAIs into the Fund in its periodic reports to investors.



## What investment strategy does this financial product follow?

The Fund seeks to provide 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, while reducing exposure to sustainability risks through exclusionary screening of selected fossil fuels and of activities which can cause dangers to human health and wellbeing.

In addition to the ESG considerations described in this summary on a binding basis, the Fund integrates ESG considerations in the investment decision-making process to support its environmental and social characteristics on a non-binding basis, based on the Investment Adviser’s in-house research and methodologies and on third-party data.

The investment process is subject to regular review, as part of a control and monitoring framework implemented by the Investment Adviser. The Investment Adviser’s Compliance, Risk and Portfolio Surveillance teams collaborate with the investment team to conduct regular portfolio/performance reviews and systemic checks to ensure compliance with portfolio investment objectives and environmental and social characteristics, taking into account changing market conditions, information and strategy developments.

- **What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?**

The binding elements of the investment strategy are described in the table below.

The criteria are implemented and monitored by the Investment Adviser using a combination of third-party data and in-house research.

**The investment strategy** guides investment decisions based on factors such as investment objectives and risk tolerance.

<b>Binding criteria</b>	
<b>The Fund will not invest in corporate issuers which:</b>	<p><b><u>Derive any revenue from any of the following activities:</u></b></p> <ul style="list-style-type: none"> <li>Controversial weapons manufacturing or retail (anti-personnel landmines, cluster munitions, biological or chemical weapons, and nuclear weapons);</li> <li>Civilian firearms manufacturing or retail;</li> <li>Tobacco manufacturing; or</li> </ul> <p><b><u>Derive more than 5% revenue from any of the following activities:</u></b></p> <ul style="list-style-type: none"> <li>Thermal coal mining and extraction. The Fund may, as an exception, invest in labelled Sustainable Bonds issued by fossil fuel companies, which are intended to raise proceeds specifically for projects that promote positive environmental contributions mitigating the adverse sustainability impact of coal, such as renewable energy or energy efficiency, based on information available in the bond issuance documentation.</li> </ul>
<b>Sustainable investments</b>	The Fund will maintain a minimum of 5% of sustainable investments, which meet the criteria as set out in response to the question, <i>“What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?”</i>

The Investment Adviser may decide to implement additional restrictions to the Fund, and such new restrictions will be disclosed in the Fund’s SFDR Website Disclosure.

**Good governance** practices include sound management structures, employee relations, remuneration of staff and tax compliance.

● ***What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?***

The Fund does not target a specific reduction rate of the scope of investments.

● ***What is the policy to assess good governance practices of the investee companies?***

As part of its bottom-up, fundamental research process, the Investment Adviser systematically incorporates the assessment of an issuer’s corporate governance and business practices, including but not limited to evidence of sound management structures and employee relations, fair remuneration of staff, and tax compliance, in order to ensure that every investee company follows good governance practices.

This is done through the monitoring of data on governance-related, as well as on other environmental and/or social factors and controversies, sourced from third party providers, through in-house research, and through engagement with the management of selected issuers on corporate governance and disclosure issues.

In addition, the Fund’s sustainable investments exclude any company that is involved in very severe governance-related controversies.



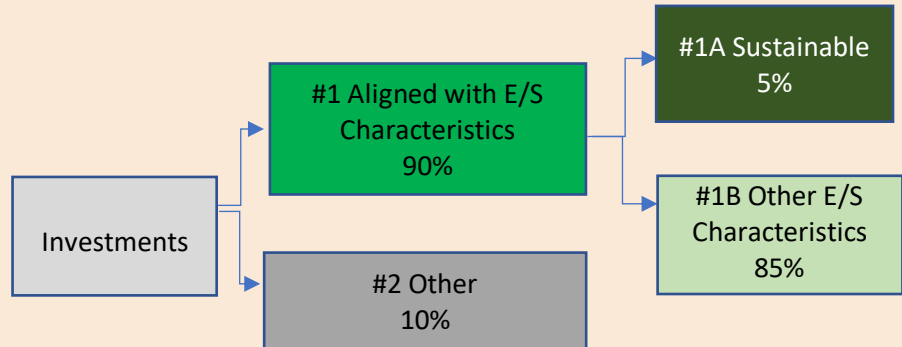
### Asset allocation

describes the share of investments in specific assets.

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.

## What is the asset allocation planned for this financial product?



**#1 Aligned with E/S characteristics** includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

**#2 Other** includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

The category **#1 Aligned with E/S characteristics** covers:

- The sub-category **#1A Sustainable** covers sustainable investments with environmental or social objectives.
- The sub-category **#1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.

The exclusions (as described above) will be applied to at least 90% of the portfolio, however the Fund also expects to allocate a minimum of 5% of its assets to sustainable investments. Among these sustainable investments, the Fund commits to make a minimum of 1% of sustainable investments with an environmental objective and 1% of sustainable investments with a social objective which can both vary independently at any time.

A maximum of 10% of the Fund's assets may be invested in hedging and/or cash instruments for efficient portfolio management purposes, which do not align with any environmental or social characteristics.

These percentages are measured according to the value of the investments.

### ● **How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?**

Derivatives may be used by the Fund for investment or efficient portfolio management (including hedging) purposes only. These instruments are not used to attain the environmental or social characteristics of the Fund.



### **To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?**

Not applicable – the Investment Adviser does not take account of the EU Taxonomy in its management of the Fund and as such the Fund's sustainable investments do not take into account the criteria for environmentally sustainable economic activities under the EU Taxonomy.

● **Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy<sup>1</sup>?**

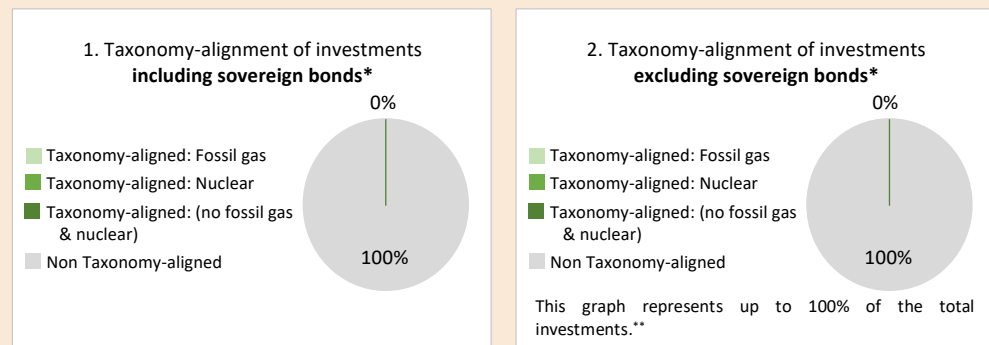
- Yes:  
 In fossil gas     In nuclear energy  
 No

To comply with EU Taxonomy, the criteria for **fossil gas** include limitations on emission and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

**Transitional activities** are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

*The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.*



\* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures.

\*\*The proportion of total investments shown in this graph is purely indicative and may vary over time. As the Fund does not commit to making sustainable investments aligned with the EU Taxonomy, the proportion of any sovereign exposure in the Fund's portfolio will not impact the proportion of sustainable investments aligned with the EU Taxonomy included in the graph.

● **What is the minimum share of investments in transitional and enabling activities?**

Not applicable - Although the Fund commits to invest in sustainable investments within the meaning of the SFDR, there is no commitment to a minimum share of investments in transitional and enabling activities.

<sup>1</sup> Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objective – see explanatory note in the left-hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.



are sustainable investments with an environmental objective that **do not take into account** the criteria for environmentally sustainable economic activities under the EU Taxonomy.

### What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?

The Fund may make sustainable investments, as defined under the SFDR, which contribute to either environmental or social objectives. Among these, the Fund commits to make a minimum of 1% of sustainable investments with an environmental objective and 1% of sustainable investments with a social objective which can both vary independently at any time. These sustainable investments will represent at least 5% of the portfolio holdings on an aggregated basis.

The Fund's sustainable investments with an environmental objective **do not take into account the criteria** for environmentally sustainable economic activities under the EU Taxonomy.

Although some of these sustainable investments may be Taxonomy aligned, due to lack of available data regarding the Taxonomy alignment of the underlying securities, the Investment Adviser has not been able to confirm whether these investments are in fact Taxonomy aligned and accordingly will not consider them as such in calculations until this data is reported on or otherwise becomes more reliable. As such, the Investment Adviser uses its own methodology to determine whether certain investments are sustainable in accordance with the SFDR sustainable investment test, and then invests in such assets for the Fund.



### What is the minimum share of socially sustainable investments?

The Fund intends to make a minimum of 5% sustainable investments, with a combination of environmental and social objectives. Among these, the Fund commits to make a minimum of 1% of sustainable investments with an environmental objective and 1% of sustainable investments with a social objective which can both vary independently at any time. These sustainable investments will represent at least 5% of the portfolio holdings on an aggregated basis.



### What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?

The Fund may have investments in hedging instruments for efficient portfolio management and in cash as ancillary liquidity. These instruments are included in the “#2 Other” category and are not subject to environmental and/or social screening or any minimum environmental or social safeguards.



**Reference benchmarks** are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.

### Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?

Not applicable



### Where can I find more product specific information online?

More product-specific information can be found on the website:

[https://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite\\_msinvf\\_globalconvertiblebond\\_en.pdf](https://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite_msinvf_globalconvertiblebond_en.pdf)

**Pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852**

**Product name:**

Global Credit Fund

**Legal entity identifier:**

549300179HKQYIXDUL59

## Environmental and/or social characteristics

**Sustainable investment**

means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**.

That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

**Does this financial product have a sustainable investment objective?**

**Yes**

**No**

It will make a minimum of **sustainable investments with an environmental objective: \_\_\_%**

- in economic activities that qualify as environmentally sustainable under the EU Taxonomy
- in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

It will make a minimum of **sustainable investments with a social objective: \_\_\_%**

It **promotes Environmental/Social (E/S) characteristics** and while it does not have as its objective a sustainable investment, it will have a minimum proportion of 40 % of sustainable investments

- with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy
- with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy
- with a social objective

It promotes E/S characteristics, but **will not make any sustainable investments**



## What environmental and/or social characteristics are promoted by this financial product?

The Fund promotes the environmental characteristic of climate change mitigation by excluding investments in certain types of fossil fuels. In addition, the Fund promotes the social characteristic of avoiding investments in certain activities which can cause harm to human health and wellbeing.

Further detail on the nature of these exclusions is set out below (in response to the question, “*What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?*”).

The Fund also supports the above environmental and social characteristics by aiming to make a minimum of 40% sustainable investments in:

- Corporate issuers whose business practices, products or solutions, make a net positive contribution towards United Nations’ Sustainable Development Goals (“**SDGs**”); or
- Sustainable Bonds which make a positive environmental or social contribution through their use of proceeds, as explained in response to the question below, “*What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?*”.

The Fund has not designated a reference benchmark for the purpose of attaining its environmental or social characteristics.

**Sustainability indicators** measure how the environmental or social characteristics promoted by the financial product are attained.

### ● **What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?**

The sustainability indicator used to measure the attainment of the Fund’s environmental and social characteristics is the Fund’s exposure, in percentage market value, to issuers that violate any of the exclusion criteria. Additional details on the Fund’s exclusions criteria and methodology are provided below in response to the question, “*What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?*”

### ● **What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?**

The Fund’s sustainable investments will fall within one of the following categories:

- Green, Social or Sustainability Bonds (“Sustainable Bonds”), as labelled in the securities’ documentation, where the issuer commits to allocate the proceeds to projects making a positive environmental or social contribution. This includes, but is not limited to, bonds that align with the International Capital Market Association (ICMA)’s Green Bond Principles, Social Bond Principles, and Sustainability Bond Guidelines, and bonds which have been assessed through the Investment Adviser’s proprietary Sustainable Bond evaluation framework. Sustainable Bonds mobilise financing directly towards a variety of environmental and social projects whose focus spans across a number of sustainability objectives. Examples include, but are not limited to, financing for renewable energy, energy efficiency, clean transportation, affordable housing, and financial inclusion projects. The specific objectives to which the Sustainable Bonds contribute depend on the eligible environmental and social project categories of each security.
- Bonds from corporate issuers whose business practices, products or solutions, make a net positive contribution towards the SDGs. The SDGs were adopted by the United Nations in 2015 as a universal call to action to end poverty, protect the planet and ensure that by 2030 all people enjoy peace and prosperity. They include environmental (e.g. Climate Action or Life on Land) and social (e.g. Good Health and Well-Being) objectives. The Investment Adviser



defines positive contribution to the SDGs as a net positive aggregate alignment score across all the SDGs (i.e., scores measuring positive contribution to individual SDGs have to, in total, be greater than the total of any negative contribution scores), based on third-party data. The Investment Adviser will also only include issuers which have sufficient positive SDG alignment (in the Investment Adviser's view) with at least one individual SDG, and which do not have any material mis-alignments (in the Investment Adviser's view) on any of the SDGs.

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

● ***How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?***

The Fund's sustainable investments aim not to cause significant harm to any environmental or social objective, by:

- avoiding investments in issuers that violate minimum social safeguards; and
- by the Fund excluding issuers which breach thresholds set by the Investment Adviser relating to the principal adverse impact ("PAI") indicators which the Investment Adviser is required to consider by the EU Sustainable Finance Disclosure Regulation ("SFDR") rules, and which are relevant to the investment.

This assessment is conducted using in-house proprietary as well as third-party research on the sustainability characteristics of the Fund's holdings.

– ***How have the indicators for adverse impacts on sustainability factors been taken into account?***

The "do no significant harm" methodology applied by the Investment Adviser on sustainable investments seeks to exclude investments that cause harm to any of the PAI indicators (listed below) which are mandatory for the Investment Adviser to consider under the EU SFDR rules, and which are relevant to the investment.

PAI indicators:

**Investee companies**

1. GHG emissions
2. Carbon Footprint
3. GHG intensity of investee companies
4. Exposure to companies active in the fossil sector
5. Share of non-renewable energy consumption and production
6. Energy consumption intensity per high impact climate sector
7. Activities negatively affecting biodiversity sensitive areas
8. Emissions to water
9. Hazardous waste ratio
10. Violations of UN Global Compact and OECD
11. Lack of processes and compliance mechanisms to monitor compliance with the UNGC and OECD
12. Unadjusted gender pay gap
13. Board gender diversity
14. Exposure to controversial weapons

The Investment Adviser has determined specific metrics and quantitative thresholds for what constitutes significant harm to screen PAI indicators that are relevant to the investment, using third-party data. The thresholds are set: (i) on an absolute value basis; (ii) on a relative basis in the context of the investment universe; or (iii) using pass/fail scores. Different metrics or thresholds may apply to issuers located in developed markets and in emerging markets, respectively. This is intended to reflect the different extent to which the Investment Adviser deems that meeting minimum sustainability standards in these markets is currently achievable. In addition, different relative thresholds may apply to similar indicators: for example, the Investment Adviser currently applies a lower threshold to determine significant

adverse impact with respect to scope 3 emissions intensity as compared to scope 1 and 2 emissions intensity. This is because: (i) companies have less control over their indirect emissions; and (ii) data estimates for scope 3 emissions, which currently prevail over reported data compared to scope 1 and 2 emissions, may result in a less accurate PAI assessment.

The Investment Adviser may use reasonable proxy indicators sourced from third parties to address the current lack of data for certain PAI indicators. The Investment Adviser's use of proxy indicators will be kept under review and will be replaced by PAI data from third-party data providers, when the Investment Adviser determines that sufficiently reliable data has become available.

The Investment Adviser generally conducts the PAI assessment at the issuer level. However, where appropriate the assessment may be done at the security level in whole or in part. For instance, in the case of Sustainable Bonds, as defined above, the PAI indicators that are directly related to the sustainability factors targeted by the bond's use of proceeds will be assessed at the security level, through the Investment Adviser's proprietary Sustainable Bond Evaluation Framework. As an example, the Fund may invest in a Green Bond issued by a utility company that has a negative assessment of the PAI indicators related to GHG emissions and/or GHG intensity, as long as the Investment Adviser evaluates that the issuer has a credible strategy to reduce its GHG emissions, and that the Green Bond specifically contributes towards such goal. Other PAI indicators that are unrelated to the Sustainable Bond's use of proceeds are still assessed at the issuer level.

The Fund's PAI assessment is supported, on a qualitative basis, by the Investment Adviser's engagement with selected issuers on their corporate governance practices, as well as on other material sustainability issues related to the SDGs, in line with the Investment Adviser's Fixed Income Engagement Strategy, available on [www.morganstanley.com/im](http://www.morganstanley.com/im)

– *How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:*

The Fund's sustainable investments exclude issuers which have experienced very severe controversies that are deemed to violate the UN Global Compact, the UN Guiding Principles on Business and Human Rights, or the ILO Fundamental Principles, and issuers with very severe controversies related to violations of the OECD Guidelines for Multinational Enterprises. This screening is done using third-party data.

*The EU Taxonomy sets out a “do not significant harm” principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.*

*The “do no significant harm” principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.*

*Any other sustainable investments must also not significantly harm any environmental or social objectives.*

Regulation requires that this document include these statements. However, for the avoidance of doubt, this Fund does not: (i) take into account the EU criteria for environmentally sustainable economic activities in the EU Taxonomy; or (ii) calculate its portfolio alignment with the EU Taxonomy. As such, the Fund is 0% aligned with the EU Taxonomy. The “do no significant harm” principle applies only to the portion of the Fund's investments that are sustainable investments.



## Does this financial product consider principal adverse impacts on sustainability factors?

- Yes  
 No

The Fund considers all of the mandatory PAI on sustainability factors which are relevant to the investment for the portion allocated to sustainable investments, as described above in response to the question, “How have the indicators for adverse impacts on sustainability factors been taken into account?”

The portion of the Fund that is not made of sustainable investments considers the PAI only in part through the Fund’s exclusionary criteria, as follows:

- The Fund excludes issuers which derive any revenue from thermal coal mining and extraction. The Fund therefore partly considers the PAI indicator 4: exposure to companies active in the fossil fuel sector.
- The Fund excludes issuers which derive any revenue from controversial weapons manufacturing or retail. The Fund therefore considers in whole the PAI indicator 14: exposure to controversial weapons.

The Fund will make information available on how it has incorporated the PAIs into the Fund in its periodic reports to investors.



## What investment strategy does this financial product follow?

The Fund aims to provide an attractive rate of relative return, measured in US Dollars, through investments in fixed income securities, issued by corporations and other non-government related issuers organised or operating in both developed and emerging markets and denominated in global currencies, while reducing exposure to sustainability risks through exclusionary screening of selected fossil fuels and of activities which can cause dangers to human health and wellbeing.

In addition to the ESG considerations described in this summary on a binding basis, the Fund integrates ESG considerations in the investment decision-making process to support its environmental and social characteristics on a non-binding basis, based on the Investment Adviser’s in-house research and methodologies and on third-party data.

The investment process is subject to regular review, as part of a control and monitoring framework implemented by the Investment Adviser. The Investment Adviser’s Compliance, Risk and Portfolio Surveillance teams collaborate with the investment team to conduct regular portfolio/performance reviews and systemic checks to ensure compliance with portfolio investment objectives and environmental and social characteristics, taking into account changing market conditions, information and strategy developments.

- **What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?**

The binding elements of the investment strategy are described in the table below.

The criteria are implemented and monitored by the Investment Adviser using a combination of third-party data and in-house research.

**The investment strategy** guides investment decisions based on factors such as investment objectives and risk tolerance.

<b>Binding criteria</b>	
<b>The Fund will not invest in corporate issuers which:</b>	<p><b><u>Derive any revenue from any of the following activities:</u></b></p> <ul style="list-style-type: none"> <li>Controversial weapons manufacturing or retail (anti-personnel landmines, cluster munitions, biological or chemical weapons, and nuclear weapons);</li> <li>Civilian firearms manufacturing or retail;</li> <li>Tobacco manufacturing; or</li> </ul> <p><b><u>Derive more than 5% revenue from any of the following activities:</u></b></p> <ul style="list-style-type: none"> <li>Thermal coal mining and extraction. The Fund may, as an exception, invest in labelled Sustainable Bonds issued by fossil fuel companies, which are intended to raise proceeds specifically for projects that promote positive environmental contributions mitigating the adverse sustainability impact of coal, such as renewable energy or energy efficiency, based on information available in the bond issuance documentation.</li> </ul>
<b>Sustainable investments</b>	The Fund will maintain a minimum of 40% of sustainable investments, which meet the criteria as set out in response to the question, <i>“What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?”</i>

The Investment Adviser may decide to implement additional restrictions to the Fund, and such new restrictions will be disclosed in the Fund’s SFDR Website Disclosure.

**Good governance** practices include sound management structures, employee relations, remuneration of staff and tax compliance.

● ***What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?***

The Fund does not target a specific reduction rate of the scope of investments.

● ***What is the policy to assess good governance practices of the investee companies?***

As part of its bottom-up, fundamental research process, the Investment Adviser systematically incorporates the assessment of an issuer’s corporate governance and business practices, including but not limited to evidence of sound management structures and employee relations, fair remuneration of staff, and tax compliance, in order to ensure that every investee company follows good governance practices.

This is done through the monitoring of data on governance-related, as well as on other environmental and/or social factors and controversies, sourced from third party providers, through in-house research, and through engagement with the management of selected issuers on corporate governance and disclosure issues.

In addition, the Fund’s sustainable investments exclude any company that is involved in very severe governance-related controversies.



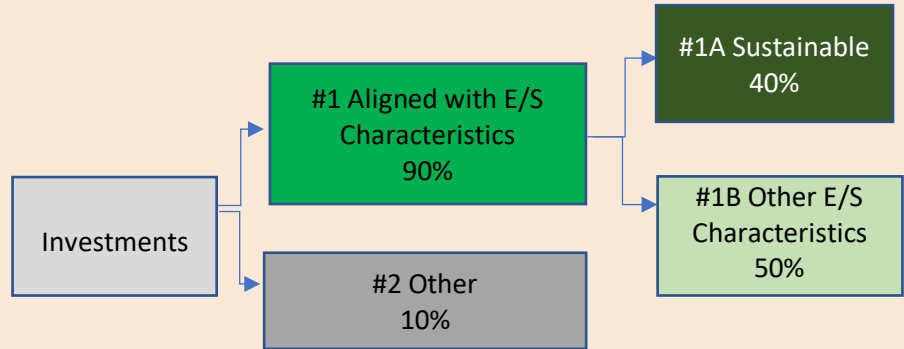
### Asset allocation

describes the share of investments in specific assets.

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.

## What is the asset allocation planned for this financial product?



**#1 Aligned with E/S characteristics** includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

**#2 Other** includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

The category **#1 Aligned with E/S characteristics** covers:

- The sub-category **#1A Sustainable** covers sustainable investments with environmental or social objectives.
- The sub-category **#1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.

The exclusions (as described above) will be applied to at least 90% of the portfolio, of which the Fund also expects to allocate a minimum of 40% of its assets to sustainable investments. Among these sustainable investments, the Fund commits to make a minimum of 1% of sustainable investments with an environmental objective and 1% of sustainable investments with a social objective which can both vary independently at any time.

A maximum of 10% of the Fund's assets may be invested in hedging and/or cash instruments for efficient portfolio management purposes, which do not align with any environmental or social characteristics.

These percentages are measured according to the value of the investments.

### ● **How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?**

Derivatives may be used by the Fund for investment or efficient portfolio management (including hedging) purposes only. These instruments are not used to attain the environmental or social characteristics of the Fund.



## To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

Not applicable – the Investment Adviser does not take account of the EU Taxonomy in its management of the Fund and as such the Fund’s sustainable investments do not take into account the criteria for environmentally sustainable economic activities under the EU Taxonomy.

### ● Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy<sup>1</sup>?

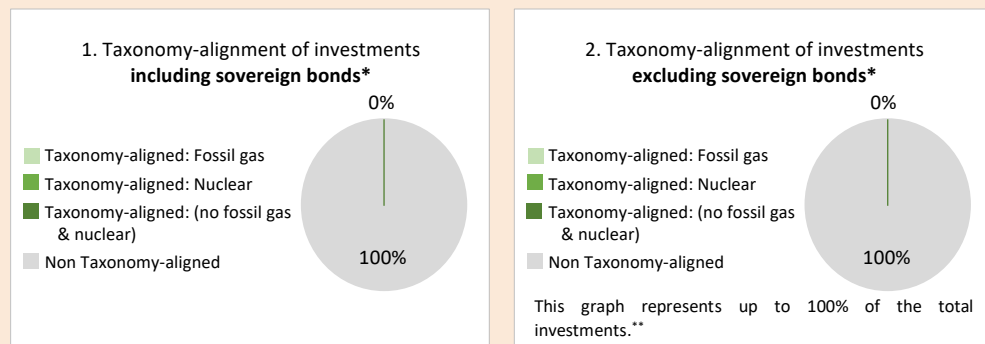
- Yes:  
 In fossil gas     In nuclear energy  
 No

To comply with EU Taxonomy, the criteria for **fossil gas** include limitations on emission and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

**Transitional activities** are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

*The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.*



\* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures.

\*\*The proportion of total investments shown in this graph is purely indicative and may vary over time. As the Fund does not commit to making sustainable investments aligned with the EU Taxonomy, the proportion of any sovereign exposure in the Fund's portfolio will not impact the proportion of sustainable investments aligned with the EU Taxonomy included in the graph.

### ● What is the minimum share of investments in transitional and enabling activities?

Not applicable - Although the Fund commits to invest in sustainable investments within the meaning of the SFDR, there is no commitment to a minimum share of investments in transitional and enabling activities.

<sup>1</sup> Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objective – see explanatory note in the left-hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.



are sustainable investments with an environmental objective that **do not take into account** the criteria for environmentally sustainable economic activities under the EU Taxonomy.

### What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?

The Fund intends to make a minimum of 40% sustainable investments, as defined under the SFDR, with a combination of environmental and social objectives, as described above. Among these, the Fund commits to make a minimum of 1% of sustainable investments with an environmental objective and 1% of sustainable investments with a social objective which can both vary independently at any time. These sustainable investments will represent at least 40% of the portfolio holdings on an aggregated basis.

The Fund's sustainable investments with an environmental objective **do not take into account the criteria** for environmentally sustainable economic activities under the EU Taxonomy.

Although some of these sustainable investments may be Taxonomy aligned, due to lack of available data regarding the Taxonomy alignment of the underlying securities, the Investment Adviser has not been able to confirm whether these investments are in fact Taxonomy aligned and accordingly will not consider them as such in calculations until this data is reported on or otherwise becomes more reliable. As such, the Investment Adviser uses its own methodology to determine whether certain investments are sustainable in accordance with the SFDR sustainable investment definition, and then invests in such assets for the Fund.



### What is the minimum share of socially sustainable investments?

As explained above, the Fund may make sustainable investments which contribute to either environmental or social objectives. Among these, the Fund commits to make a minimum of 1% of sustainable investments with an environmental objective and 1% of sustainable investments with a social objective which can both vary independently at any time. These sustainable investments will represent at least 40% of the portfolio holdings on an aggregated basis.



### What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?

The Fund may have investments in hedging instruments for efficient portfolio management and in cash as ancillary liquidity. These instruments are included in the “#2 Other” category and are not subject to environmental and/or social screening or any minimum environmental or social safeguards.



**Reference benchmarks** are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.

### Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?

Not applicable



## Where can I find more product specific information online?

More product-specific information can be found on the website:

[https://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite\\_global\\_credit\\_en.pdf](https://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite_global_credit_en.pdf)



**Pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852**

**Product name:**

Global Credit Opportunities Fund

**Legal entity identifier:**

549300RJVHWGXPDLQN16

## Environmental and/or social characteristics

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**.

That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

**Does this financial product have a sustainable investment objective?**

<input checked="" type="radio"/> <input type="radio"/> <b>Yes</b>	<input type="radio"/> <input checked="" type="radio"/> <b>No</b>
<input type="checkbox"/> It will make a minimum of <b>sustainable investments with an environmental objective: ___%</b> <ul style="list-style-type: none"> <li><input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> </ul> <input type="checkbox"/> It will make a minimum of <b>sustainable investments with a social objective: ___%</b>	<input checked="" type="checkbox"/> It <b>promotes Environmental/Social (E/S) characteristics</b> and while it does not have as its objective a sustainable investment, it will have a minimum proportion of <u>30</u> % of sustainable investments <ul style="list-style-type: none"> <li><input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input checked="" type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> <li><input checked="" type="checkbox"/> with a social objective</li> </ul> <input type="checkbox"/> It promotes E/S characteristics, but <b>will not make any sustainable investments</b>



## What environmental and/or social characteristics are promoted by this financial product?

The Fund promotes the environmental characteristic of climate change mitigation by excluding investments in certain types of fossil fuels. In addition, the Fund promotes the social characteristic of avoiding investments in certain activities which can cause harm to human health and wellbeing.

Further detail on the nature of these exclusions is set out below (in response to the question, “*What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?*”).

The Fund also supports the above environmental and social characteristics by aiming to make a minimum of 30% sustainable investments in:

- Corporate issuers whose business practices, products or solutions, make a net positive contribution towards United Nations’ Sustainable Development Goals (“**SDGs**”); or
- Sustainable Bonds which make a positive environmental or social contribution through their use of proceeds, as explained in response to the question below, “*What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?*”.

The Fund has not designated a reference benchmark for the purpose of attaining its environmental or social characteristics.

**Sustainability indicators** measure how the environmental or social characteristics promoted by the financial product are attained.

### ● **What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?**

The sustainability indicator used to measure the attainment of the Fund’s environmental and social characteristics is the Fund’s exposure, in percentage market value, to issuers that violate any of the exclusion criteria. Additional details on the Fund’s exclusions criteria and methodology are provided below in response to the question, “*What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?*”

### ● **What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?**

The Fund’s sustainable investments will fall within one of the following categories:

- Green, Social or Sustainability Bonds (“Sustainable Bonds”), as labelled in the securities’ documentation, where the issuer commits to allocate the proceeds to projects making a positive environmental or social contribution. This includes, but is not limited to, bonds that align with the International Capital Market Association (ICMA)’s Green Bond Principles, Social Bond Principles, and Sustainability Bond Guidelines, and bonds which have been assessed through the Investment Adviser’s proprietary Sustainable Bond evaluation framework. Sustainable Bonds mobilise financing directly towards a variety of environmental and social projects whose focus spans across a number of sustainability objectives. Examples include, but are not limited to, financing for renewable energy, energy efficiency, clean transportation, affordable housing, and financial inclusion projects. The specific objectives to which the Sustainable Bonds contribute depend on the eligible environmental and social project categories of each security.
- Bonds from corporate issuers whose business practices, products or solutions, make a net positive contribution towards the SDGs. The SDGs were adopted by the United Nations in 2015 as a universal call to action to end poverty, protect the planet and ensure that by 2030 all people enjoy peace and prosperity. They include environmental (e.g. Climate Action or Life on Land) and social (e.g. Good Health and Well-Being) objectives. The Investment Adviser defines positive contribution to the SDGs as a net positive aggregate alignment score across all the SDGs (i.e., scores measuring positive contribution to individual SDGs have to, in total,

be greater than the total of any negative contribution scores), based on third-party data. The Investment Adviser will also only include issuers which have sufficient positive SDG alignment (in the Investment Adviser's view) with at least one individual SDG, and which do not have any material mis-alignments (in the Investment Adviser's view) on any of the SDGs.

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

● ***How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?***

The Fund's sustainable investments aim not to cause significant harm to any environmental or social objective, by:

- avoiding investments in issuers that violate minimum social safeguards; and
- by the Fund excluding issuers which breach thresholds set by the Investment Adviser relating to the principal adverse impact ("PAI") indicators which the Investment Adviser is required to consider by the EU Sustainable Finance Disclosure Regulation ("SFDR") rules, and which are relevant to the investment.

This assessment is conducted using in-house proprietary as well as third-party research on the sustainability characteristics of the Fund's holdings.

– ***How have the indicators for adverse impacts on sustainability factors been taken into account?***

The "do no significant harm" methodology applied by the Investment Adviser on sustainable investments seeks to exclude investments that cause harm to any of the PAI indicators (listed below) which are mandatory for the Investment Adviser to consider under the EU SFDR rules, and which are relevant to the investment.

PAI indicators:

**Investee companies**

1. GHG emissions
2. Carbon Footprint
3. GHG intensity of investee companies
4. Exposure to companies active in the fossil sector
5. Share of non-renewable energy consumption and production
6. Energy consumption intensity per high impact climate sector
7. Activities negatively affecting biodiversity sensitive areas
8. Emissions to water
9. Hazardous waste ratio
10. Violations of UN Global Compact and OECD
11. Lack of processes and compliance mechanisms to monitor compliance with the UNGC and OECD
12. Unadjusted gender pay gap
13. Board gender diversity
14. Exposure to controversial weapons

The Investment Adviser has determined specific metrics and quantitative thresholds for what constitutes significant harm to screen PAI indicators that are relevant to the investment, using third-party data. The thresholds are set: (i) on an absolute value basis; (ii) on a relative basis in the context of the investment universe; or (iii) using pass/fail scores. Different metrics or thresholds may apply to issuers located in developed markets and in emerging markets, respectively. This is intended to reflect the different extent to which the Investment Adviser deems that meeting minimum sustainability standards in these markets is currently achievable. In addition, different relative thresholds may apply to similar indicators: for example, the Investment Adviser currently applies a lower threshold to determine significant adverse impact with respect to scope 3 emissions intensity as compared to scope 1 and 2 emissions intensity. This is because: (i) companies have less control over their indirect

emissions; and (ii) data estimates for scope 3 emissions, which currently prevail over reported data compared to scope 1 and 2 emissions, may result in a less accurate PAI assessment.

The Investment Adviser may use reasonable proxy indicators sourced from third parties to address the current lack of data for certain PAI indicators. The Investment Adviser's use of proxy indicators will be kept under review and will be replaced by PAI data from third-party data providers, when the Investment Adviser determines that sufficiently reliable data has become available.

The Investment Adviser generally conducts the PAI assessment at the issuer level. However, where appropriate the assessment may be done at the security level in whole or in part. For instance, in the case of Sustainable Bonds, as defined above, the PAI indicators that are directly related to the sustainability factors targeted by the bond's use of proceeds will be assessed at the security level, through the Investment Adviser's proprietary Sustainable Bond Evaluation Framework. As an example, the Fund may invest in a Green Bond issued by a utility company that has a negative assessment of the PAI indicators related to GHG emissions and/or GHG intensity, as long as the Investment Adviser evaluates that the issuer has a credible strategy to reduce its GHG emissions, and that the Green Bond specifically contributes towards such goal. Other PAI indicators that are unrelated to the Sustainable Bond's use of proceeds are still assessed at the issuer level.

The Fund's PAI assessment is supported, on a qualitative basis, by the Investment Adviser's engagement with selected issuers on their corporate governance practices, as well as on other material sustainability issues related to the SDGs, in line with the Investment Adviser's Fixed Income Engagement Strategy, available on [www.morganstanley.com/im](http://www.morganstanley.com/im).

– *How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:*

The Fund's sustainable investments exclude issuers which have experienced very severe controversies that are deemed to violate the UN Global Compact, the UN Guiding Principles on Business and Human Rights, or the ILO Fundamental Principles, and issuers with very severe controversies related to violations of the OECD Guidelines for Multinational Enterprises. This screening is done using third-party data.

*The EU Taxonomy sets out a "do not significant harm" principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.*

*The "do no significant harm" principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.*

*Any other sustainable investments must also not significantly harm any environmental or social objectives.*

Regulation requires that this document include these statements. However, for the avoidance of doubt, this Fund does not: (i) take into account the EU criteria for environmentally sustainable economic activities in the EU Taxonomy; or (ii) calculate its portfolio alignment with the EU Taxonomy. As such, the Fund is 0% aligned with the EU Taxonomy. The "do no significant harm" principle applies only to the portion of the Fund's investments that are sustainable investments.



## Does this financial product consider principal adverse impacts on sustainability factors?

- Yes  
 No

The Fund considers all of the mandatory PAI on sustainability factors which are relevant to the investment for the portion allocated to sustainable investments, as described above in response to the question, “How have the indicators for adverse impacts on sustainability factors been taken into account?”

The portion of the Fund that is not made of sustainable investments considers the PAI only in part through the Fund’s exclusionary criteria, as follows:

- The Fund excludes issuers which derive any revenue from thermal coal mining and extraction. The Fund therefore partly considers the PAI indicator 4: exposure to companies active in the fossil fuel sector.
- The Fund excludes issuers which derive any revenue from controversial weapons manufacturing or retail. The Fund therefore considers in whole the PAI indicator 14: exposure to controversial weapons.

The Fund will make information available on how it has incorporated the PAIs into the Fund in its periodic reports to investors.



## What investment strategy does this financial product follow?

The Fund aims to provide an attractive level of total return, measured in US Dollars. The Fund will invest primarily in Fixed Income Securities issued by corporations (“Corporate Bonds”) and other non-government related issuers, including investment-grade bonds, high-yield bonds, while reducing exposure to sustainability risks through exclusionary screening of selected fossil fuels and of activities which can cause dangers to human health and wellbeing.

In addition to the ESG considerations described in this summary on a binding basis, the Fund integrates ESG considerations in the investment decision-making process to support its environmental and social characteristics on a non-binding basis, based on the Investment Adviser’s in-house research and methodologies and on third-party data.

The investment process is subject to regular review, as part of a control and monitoring framework implemented by the Investment Adviser. The Investment Adviser’s Compliance, Risk and Portfolio Surveillance teams collaborate with the investment team to conduct regular portfolio/performance reviews and systemic checks to ensure compliance with portfolio investment objectives and environmental and social characteristics, taking into account changing market conditions, information and strategy developments.

- **What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?**

The binding elements of the investment strategy are described in the table below.

The criteria are implemented and monitored by the Investment Adviser using a combination of third-party data and in-house research.

**The investment strategy** guides investment decisions based on factors such as investment objectives and risk tolerance.

<b>Binding criteria</b>	
<b>The Fund will not invest in corporate issuers which:</b>	<p><b><u>Derive any revenue from any of the following activities:</u></b></p> <ul style="list-style-type: none"> <li>Controversial weapons manufacturing or retail (anti-personnel landmines, cluster munitions, biological or chemical weapons, and nuclear weapons);</li> <li>Civilian firearms manufacturing or retail;</li> <li>Tobacco manufacturing; or</li> </ul> <p><b><u>Derive more than 5% revenue from any of the following activities:</u></b></p> <ul style="list-style-type: none"> <li>Thermal coal mining and extraction. The Fund may, as an exception, invest in labelled Sustainable Bonds issued by fossil fuel companies, which are intended to raise proceeds specifically for projects that promote positive environmental contributions mitigating the adverse sustainability impact of coal, such as renewable energy or energy efficiency, based on information available in the bond issuance documentation.</li> </ul>
<b>Sustainable investments</b>	The Fund will maintain a minimum of 30% of sustainable investments, which meet the criteria as set out in response to the question, <i>“What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?”</i>

The Investment Adviser may decide to implement additional restrictions to the Fund, and such new restrictions will be disclosed in the Fund’s SFDR Website Disclosure.

**Good governance** practices include sound management structures, employee relations, remuneration of staff and tax compliance.

● ***What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?***

The Fund does not target a specific reduction rate of the scope of investments.

● ***What is the policy to assess good governance practices of the investee companies?***

As part of its bottom-up, fundamental research process, the Investment Adviser systematically incorporates the assessment of an issuer’s corporate governance and business practices, including but not limited to evidence of sound management structures and employee relations, fair remuneration of staff, and tax compliance, in order to ensure that every investee company follows good governance practices.

This is done through the monitoring of data on governance-related, as well as on other environmental and/or social factors and controversies, sourced from third party providers, through in-house research, and through engagement with the management of selected issuers on corporate governance and disclosure issues.

In addition, the Fund’s sustainable investments exclude any company that is involved in very severe governance-related controversies.



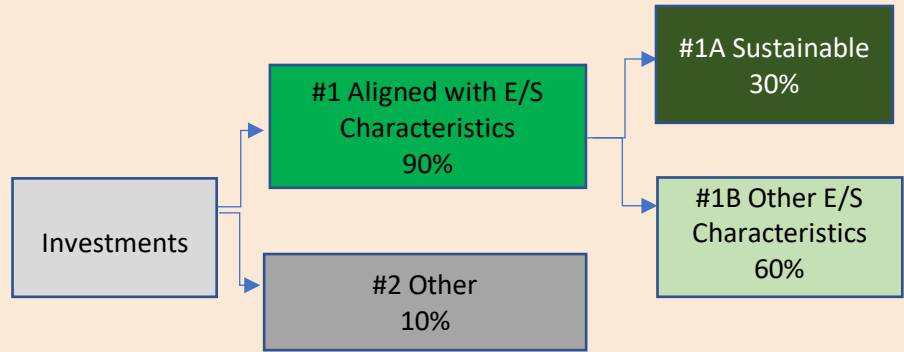
## What is the asset allocation planned for this financial product?

### Asset allocation

describes the share of investments in specific assets.

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.



**#1 Aligned with E/S characteristics** includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

**#2 Other** includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

The category **#1 Aligned with E/S characteristics** covers:

- The sub-category **#1A Sustainable** covers sustainable investments with environmental or social objectives.
- The sub-category **#1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.

The exclusions (as described above) will be applied to at least 90% of the portfolio, of which the Fund also expects to allocate a minimum of 30% of its assets to sustainable investments. Among these sustainable investments, the Fund commits to make a minimum of 1% of sustainable investments with an environmental objective and 1% of sustainable investments with a social objective which can both vary independently at any time.

A maximum of 10% of the Fund's assets may be invested in hedging and/or cash instruments for efficient portfolio management purposes, which do not align with any environmental or social characteristics.

These percentages are measured according to the value of the investments.

### ● **How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?**

Derivatives may be used by the Fund for investment or efficient portfolio management (including hedging) purposes only. These instruments are not used to attain the environmental or social characteristics of the Fund.



## To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

Not applicable – the Investment Adviser does not take account of the EU Taxonomy in its management of the Fund and as such the Fund’s sustainable investments do not take into account the criteria for environmentally sustainable economic activities under the EU Taxonomy.

### ● Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy<sup>1</sup>?

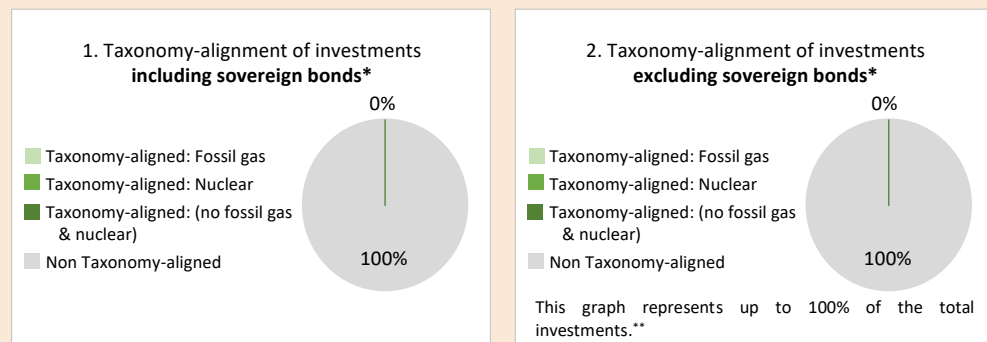
- Yes:  
 In fossil gas     In nuclear energy  
 No

To comply with EU Taxonomy, the criteria for **fossil gas** include limitations on emission and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

**Transitional activities** are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

*The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.*



\* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures.

\*\*The proportion of total investments shown in this graph is purely indicative and may vary over time. As the Fund does not commit to making sustainable investments aligned with the EU Taxonomy, the proportion of any sovereign exposure in the Fund's portfolio will not impact the proportion of sustainable investments aligned with the EU Taxonomy included in the graph.

### ● What is the minimum share of investments in transitional and enabling activities?

Not applicable - Although the Fund commits to invest in sustainable investments within the meaning of the SFDR, there is no commitment to a minimum share of investments in transitional and enabling activities.

<sup>1</sup> Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objective – see explanatory note in the left-hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.





are sustainable investments with an environmental objective that **do not take into account** the criteria for environmentally sustainable economic activities under the EU Taxonomy.

## What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?

The Fund intends to make a minimum of 30% sustainable investments, as defined under the SFDR, with a combination of environmental and social objectives, as described above. Among these, the Fund commits to make a minimum of 1% of sustainable investments with an environmental objective and 1% of sustainable investments with a social objective which can both vary independently at any time. These sustainable investments will represent at least 30% of the portfolio holdings on an aggregated basis.

The Fund's sustainable investments with an environmental objective **do not take into account the criteria** for environmentally sustainable economic activities under the EU Taxonomy.

Although some of these sustainable investments may be Taxonomy aligned, due to lack of available data regarding the Taxonomy alignment of the underlying securities, the Investment Adviser has not been able to confirm whether these investments are in fact Taxonomy aligned and accordingly will not consider them as such in calculations until this data is reported on or otherwise becomes more reliable. As such, the Investment Adviser uses its own methodology to determine whether certain investments are sustainable in accordance with the SFDR sustainable investment definition, and then invests in such assets for the Fund.



## What is the minimum share of socially sustainable investments?

As explained above, the Fund may make sustainable investments which contribute to either environmental or social objectives. Among these, the Fund commits to make a minimum of 1% of sustainable investments with an environmental objective and 1% of sustainable investments with a social objective which can both vary independently at any time. These sustainable investments will represent at least 30% of the portfolio holdings on an aggregated basis.



## What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?

The Fund may have investments in hedging instruments for efficient portfolio management and in cash as ancillary liquidity. These instruments are included in the “#2 Other” category and are not subject to environmental and/or social screening or any minimum environmental or social safeguards.



## Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?

Not applicable

### Reference

**benchmarks** are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.



## Where can I find more product specific information online?

More product-specific information can be found on the website:

[https://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite\\_msinvf\\_globalcreditopportunities\\_en.pdf](https://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite_msinvf_globalcreditopportunities_en.pdf)

**Pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852**

**Product name:**

Global Fixed Income Opportunities Fund

**Legal entity identifier:**

549300GM4KLC6LR0TV49

## Environmental and/or social characteristics

**Sustainable investment**

means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**.

That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

**Does this financial product have a sustainable investment objective?**

**Yes**

**No**

It will make a minimum of **sustainable investments with an environmental objective: \_\_\_%**

- in economic activities that qualify as environmentally sustainable under the EU Taxonomy
- in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

It will make a minimum of **sustainable investments with a social objective: \_\_\_%**

It **promotes Environmental/Social (E/S) characteristics** and while it does not have as its objective a sustainable investment, it will have a minimum proportion of 20% of sustainable investments

- with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy
- with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy
- with a social objective

It promotes E/S characteristics, but **will not make any sustainable investments**



## What environmental and/or social characteristics are promoted by this financial product?

The Fund promotes the environmental characteristic of climate change mitigation by excluding investments in certain types of fossil fuels. In addition, the Fund promotes the social characteristic of avoiding investments in activities which can cause harm to human health and wellbeing, in sovereign issuers that significantly violate social rights, and securitisations that violate responsible business or lending practices.

Further detail on the nature of these exclusions is set out below (in response to the question, “*What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?*”).

The Fund also aims to make a minimum of 20% sustainable investments in:

- Corporate issuers whose business practices, products or solutions, make a net positive contribution towards United Nations’ Sustainable Development Goals (“SDGs”);
- Sovereign issuers with ESG scores in the top-2 ranks according to the Investment Adviser’s proprietary scoring methodology, associated with positive environmental or social attributes; or
- Sustainable Bonds, from any type of issuer, which make a positive environmental or social contribution through their use of proceeds, as explained in response to the question below, “*What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?*”

The Fund has not designated a reference benchmark for the purpose of attaining its environmental or social characteristics.

**Sustainability indicators** measure how the environmental or social characteristics promoted by the financial product are attained.

### ● ***What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?***

The sustainability indicator used to measure the attainment of the Fund’s environmental and social characteristics is the Fund’s exposure, in percentage market value, to issuers that violate any of the exclusion criteria. Additional details on the Fund’s exclusions criteria and methodology are provided below in response to the question, “*What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?*”

### ● ***What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?***

The Fund’s sustainable investments will fall within one of the following categories:

- Green, Social or Sustainability Bonds (“**Sustainable Bonds**”), as labelled in the securities’ documentation, where the issuer commits to allocate the proceeds to projects making a positive environmental or social contribution. This includes, but is not limited to, bonds that align with the International Capital Market Association (ICMA)’s Green Bond Principles, Social Bond Principles, and Sustainability Bond Guidelines, and bonds which have been assessed through the Investment Adviser’s proprietary Sustainable Bond evaluation framework. Sustainable Bonds mobilise financing directly towards a multiplicity of environmental and social projects whose focus spans across a number of sustainability objectives. Examples include, but are not limited to, financing for renewable energy, energy efficiency, clean transportation, affordable housing, and financial inclusion projects. The specific objectives to which the Sustainable Bonds contribute depend on the eligible environmental and social project categories of each security.

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

- Bonds from corporate issuers whose business practices, products or solutions, make a net positive contribution towards the SDGs. The SDGs were adopted by the United Nations in 2015 as a universal call to action to end poverty, protect the planet and ensure that by 2030 all people enjoy peace and prosperity. The Investment Adviser defines positive contribution to the SDGs as a net positive aggregate alignment score across all the SDGs (i.e., scores measuring positive contribution to individual SDGs have to, in total, be greater than the total of any negative contribution scores), based on third-party data. The Investment Adviser will also only include issuers which have sufficient positive SDG alignment (in the Investment Adviser's view) with at least one individual SDG, and which do not have any material misalignments (in the Investment Adviser's view) on any of the SDGs.
- Bonds from sovereign issuers with an ESG rank of 4 or 5, in a 1-5 range where 5 is best, based on the Investment Adviser's proprietary ESG scoring methodology. Ranks of 4 and 5 reflect a country's positive contribution towards environmental and social themes such as decarbonisation, forestry conservation, promotion of education, health and wellbeing, and good living standards. The Investment Adviser will, however, not treat the investment as sustainable if the sovereign issuer ranked 4 or 5 has experienced recent negative momentum as assessed through in-house research, which is not captured by ESG data providers. For example, this may include circumstances where a country is facing significant political and/or social instability.

● ***How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?***

The Fund's sustainable investments aim not to cause significant harm to any environmental or social objective, by:

- avoiding investments in issuers that violate minimum social safeguards; and
- by the Fund excluding issuers which breach thresholds set by the Investment Advisers relating to the principal adverse impact ("PAI") indicators which the Investment Adviser is required to consider by the EU Sustainable Finance Disclosure Regulation ("SFDR") rules, and which are relevant to the investment.

This assessment is conducted using in-house proprietary as well as third-party research on the sustainability characteristics of the Fund's holdings.

● ***How have the indicators for adverse impacts on sustainability factors been taken into account?***

The "do no significant harm" methodology applied by the Investment Adviser on sustainable investments seeks to exclude investments that cause harm to any of the PAI indicators (listed below) which are mandatory for the Investment Adviser to consider under the EU SFDR rules, and which are relevant to the investment.

PAI indicators:

**Investee companies**

1. GHG emissions
2. Carbon Footprint
3. GHG intensity of investee companies
4. Exposure to companies active in the fossil sector
5. Share of non-renewable energy consumption and production
6. Energy consumption intensity per high impact climate sector
7. Activities negatively affecting biodiversity sensitive areas
8. Emissions to water
9. Hazardous waste ratio

10. Violations of UN Global Compact and OECD
11. Lack of processes and compliance mechanisms to monitor compliance with the UNGC and OECD
12. Unadjusted gender pay gap
13. Board gender diversity
14. Exposure to controversial weapons

#### **Sovereign**

1. Sovereign GHG intensity
2. Investee countries subject to social violations

The Investment Adviser has determined specific metrics and quantitative thresholds for what constitutes significant harm to screen PAI indicators that are relevant to the investment, using third-party data as well as in-house research. The thresholds are set: (i) on an absolute value basis; (ii) on a relative basis in the context of the investment universe; or (iii) using pass/fail scores. Different metrics or thresholds may apply to issuers located in developed markets and in emerging markets, respectively. This is intended to reflect the different extent to which the Investment Adviser deems that meeting minimum sustainability standards in these markets is currently achievable. In addition, different relative thresholds may apply to similar indicators: for example, the Investment Adviser currently applies a lower threshold to determine significant adverse impact with respect to scope 3 emissions intensity as compared to scope 1 and 2 emissions intensity. This is because: (i) companies have less control over their indirect emissions; and (ii) data estimates for scope 3 emissions, which currently prevail over reported data compared to scope 1 and 2 emissions, may result in a less accurate PAI assessment.

The Investment Adviser may use reasonable proxy indicators sourced from third parties to address the current lack of data for certain PAI indicators. The Investment Adviser's use of proxy indicators will be kept under review and will be replaced by PAI data from third-party data providers, when the Investment Adviser determines that sufficiently reliable data has become available.

The Investment Adviser generally conducts the PAI assessment at the issuer level. However, where appropriate the assessment may be done at the security level in whole or in part. For instance, in the case of Sustainable Bonds, as defined above, the PAI indicators that are directly related to the sustainability factors targeted by the bond's use of proceeds will be assessed at the security level, through the Investment Adviser's proprietary Sustainable Bond Evaluation Framework. As an example, the Fund may invest in a Green Bond issued by a utility company that has a negative assessment of the PAI indicators related to GHG emissions and/or GHG intensity, as long as the Investment Adviser evaluates that the issuer has a credible strategy to reduce its GHG emissions, and that the Green Bond specifically contributes towards such goal. Other PAI indicators that are unrelated to the Sustainable Bond's use of proceeds are still assessed at the issuer level.

The Fund's PAI assessment is supported, on a qualitative basis, by the Investment Adviser's engagement with selected issuers on their corporate governance practices, as well as on other material sustainability issues related to the SDGs, in line with the Investment Adviser's Fixed Income Engagement Strategy, available on [www.morganstanley.com/im](http://www.morganstanley.com/im).

● ***How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:***

The Fund's sustainable investments exclude issuers which have experienced very severe controversies that are deemed to violate the UN Global Compact, the UN Guiding Principles on Business and Human Rights, or the ILO Fundamental Principles, and issuers with very severe controversies related to violations of the OECD Guidelines for Multinational Enterprises. This screening is done using third-party data.

*The EU Taxonomy sets out a “do not significant harm” principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.*

*The “do no significant harm” principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.*

*Any other sustainable investments must also not significantly harm any environmental or social objectives.*

Regulation requires that this document include these statements. However, for the avoidance of doubt, this Fund does not: (i) take into account the EU criteria for environmentally sustainable economic activities in the EU Taxonomy; or (ii) calculate its portfolio alignment with the EU Taxonomy. As such, the Fund is 0% aligned with the EU Taxonomy. The “do no significant harm” principle applies only to the portion of the Fund’s investments that are sustainable investments.



### Does this financial product consider principal adverse impacts on sustainability factors?

Yes

No

The Fund considers all of the mandatory PAI on sustainability factors which are relevant to the investment for the portion allocated to sustainable investments, as described above in response to the question, “How have the indicators for adverse impacts on sustainability factors been taken into account?”

The portion of the Fund that is not made of sustainable investments considers the PAI only in part through the Fund’s exclusionary criteria, as follows:

- The Fund excludes issuers which derive any revenue from thermal coal mining and extraction. The Fund therefore partly considers the PAI indicator 4: exposure to companies active in the fossil fuel sector.
- The Fund excludes issuers which derive any revenue from controversial weapons manufacturing or retail. The Fund therefore considers in whole the PAI indicator 14: exposure to controversial weapons.
- The Fund excludes sovereign issuers where there is evidence of them having caused significant harm from social violations, which the Investment Adviser defines in relation to the bottom-10% ranked countries on an indicator reflecting the fulfilment of social rights, as further explained in response to the question, “What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?” The Fund therefore considers in part the PAI indicator number 16: investee countries subject to social violations.

The Fund will make information available on how it has incorporated the PAIs into the Fund in its periodic reports to investors.



**The investment strategy** guides investment decisions based on factors such as investment objectives and risk tolerance.

## What investment strategy does this financial product follow?

The Fund seeks to provide an attractive level of total return, measured in Euro, by investing primarily in euro-denominated securities of corporate, government and government-related issuers, across a spectrum of fixed income asset classes, including high-yield bonds, investment-grade bonds, mortgage-backed securities, convertibles and currencies, while reducing exposure to sustainability risks through exclusionary screening of selected fossil fuels and of activities which can cause dangers to human health and wellbeing, of sovereign issuers that violate social rights, and of securitisations that violate responsible business or lending practices.

In addition to the ESG considerations described in this summary on a binding basis, the Fund integrates ESG considerations in the investment decision-making process to support its environmental and social characteristics on a non-binding basis, based on the Investment Adviser's in-house research and methodologies and on third-party data.

The investment process is subject to regular review, as part of a control and monitoring framework implemented by the Investment Adviser. The Investment Adviser's Compliance, Risk and Portfolio Surveillance teams collaborate with the investment team to conduct regular portfolio/performance reviews and systemic checks to ensure compliance with portfolio investment objectives and environmental and social characteristics, taking into account changing market conditions, information and strategy developments.

### ● **What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?**

The binding elements of the investment strategy are described in the table below.

The criteria are implemented and monitored by the Investment Adviser using a combination of third-party data and in-house research.

Binding criteria	
<b>The Fund will not invest in corporate issuers which:</b>	<p><b>Derive any revenue from any of the following activities:</b></p> <ul style="list-style-type: none"> <li>Controversial weapons manufacturing or retail (anti-personnel landmines, cluster munitions, biological or chemical weapons, and nuclear weapons);</li> <li>Civilian firearms manufacturing or retail;</li> <li>Tobacco manufacturing; or</li> </ul> <p><b>Derive more than 5% revenue from any of the following activities:</b></p> <ul style="list-style-type: none"> <li>Thermal coal mining and extraction. The Fund may, as an exception, invest in labelled Sustainable Bonds issued by fossil fuel companies, which are intended to raise proceeds specifically for projects that promote positive environmental contributions mitigating the adverse sustainability impact of coal, such as renewable energy or energy efficiency, based on information available in the bond issuance documentation.</li> </ul>
<b>The Fund will not invest in sovereign issuers which:</b>	<p>Are in the bottom-10% ranked countries for social violations, based on the Investment Adviser's custom indicator.</p> <p>The social violations custom indicator is calculated by the Investment Adviser taking into consideration a country's performance on issues including, but not limited to, the application of human rights and civil liberties, the quality of contract enforcement and security, freedom of expression, association and free media, as assessed by underlying data from third parties.</p>

	<p>Investments that are held by the Fund but become restricted because they breach the investment exclusions set out above, after they are acquired for the Fund, will be sold. Such sales will take place over a period of time to be determined by the Investment Adviser, taking into account the best interests of the shareholders of the Fund.</p> <p>In addition, any investments in sovereign issuers exhibiting positive momentum with respect to such violations, shall not be subject to the purchase restriction. For example, if a country is in the process of making significant remediation efforts, such as through electoral or policy reforms and engagement with civil society, with regard to any social violations, the Investment Adviser may not exclude the investment from the Fund, provided this is kept under review by the Investment Adviser.</p>
<p><b>The Fund will not invest in securitisations in which:</b></p>	<ul style="list-style-type: none"> <li>• The underlying loans show evidence of predatory lending, as determined by the applicable usury laws, and in the context of market rates and borrower’s risk profile;*</li> <li>• The lender or servicer of the underlying assets has committed a severe breach of consumer protection standards: <ul style="list-style-type: none"> <li>○ as established by the Consumer Financial Protection Bureau (CFPB) in the United States; or</li> <li>○ as established by any relevant regulatory and supervisory agency in the jurisdiction where the securitisation’s originator and/or collateral are located;</li> </ul> <p>if the breach relates to the securitisation’s underlying collateral, underwriting and servicing practices, unless there is evidence of the breach having been or being remediated;** or</p> </li> <li>• The originator, lender or servicers has been involved in controversy cases related to business ethics and fraud that the Investment Adviser views as “Very Severe” based on data by relevant ESG data providers, and where the Investment Adviser considers appropriate remedial action has not been taken.</li> </ul> <p>* A loan is considered a predatory loan if:</p> <ul style="list-style-type: none"> <li>• Interest rates do not comply with U.S. usury laws or the equivalent in other jurisdictions; or</li> <li>• Interest rates being offered exceed a limit for which the Investment Adviser deems to be exceedingly higher than the industry standard. The Investment Adviser may choose to proceed with an investment where interest rates where interest rates surpass this level if following enhanced due diligence (including through direct engagement with the lending team and/or servicing department on the securitisation deal), the Investment Adviser determines that access to the loan is still beneficial to the borrower when taking into consideration its risk profile and alternative borrowing options. The interest rate levels which are considered industry standard are subject to periodic review by the Investment Adviser, based on the prevailing market</li> </ul>



	<p>conditions and prevailing rates across the industry at the time.</p> <p>** This exclusion criterion does not apply to lenders or servicers of U.S. government sponsored mortgage-backed securities, as their compliance of such securitisations with local regulatory standards is already monitored by the U.S. government on an ongoing basis. Such investments will be considered to fall within “#1 Aligned with E/S characteristics”, in response to the question, “<i>What is the asset allocation planned for this financial product?</i>”</p>
<p><b>Sustainable investments</b></p>	<p>The Fund will maintain a minimum of 20% of sustainable investments, which meet the criteria as set out in response to the question, “<i>What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?</i>”</p>

The Investment Adviser may decide to implement additional restrictions to the Fund, and such new restrictions will be disclosed in the Fund’s SFDR Website Disclosure.

**Good governance** practices include sound management structures, employee relations, remuneration of staff and tax compliance.

● ***What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?***

The Fund does not target a specific reduction rate of the scope of investments.

● ***What is the policy to assess good governance practices of the investee companies?***

As part of its bottom-up, fundamental research process, the Investment Adviser systematically incorporates the assessment of an issuer’s corporate governance and business practices, including but not limited to evidence of sound management structures and employee relations, fair remuneration of staff, and tax compliance, in order to ensure that every investee company follows good governance practices.

This is done through the monitoring of data on governance-related, as well as on other environmental and/or social factors and controversies, sourced from third party providers, through in-house research, and through engagement with the management of selected issuers on corporate governance and disclosure issues.

In addition, the Fund’s sustainable investments exclude any company that is involved in very severe governance-related controversies.



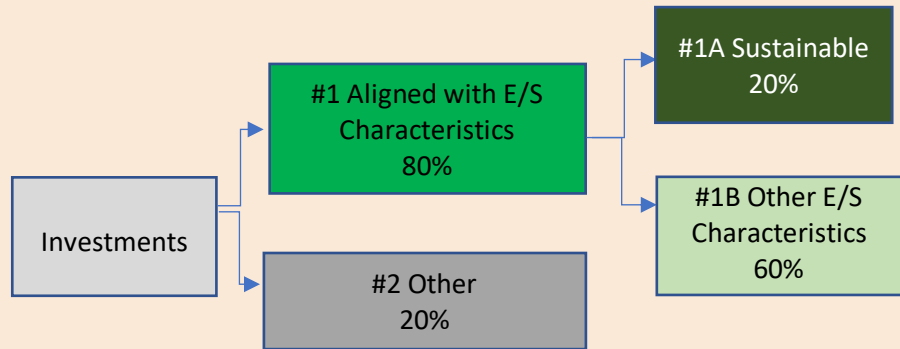
### Asset allocation

describes the share of investments in specific assets.

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.

## What is the asset allocation planned for this financial product?



**#1 Aligned with E/S characteristics** includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

**#2 Other** includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

The category **#1 Aligned with E/S characteristics** covers:

- The sub-category **#1A Sustainable** covers sustainable investments with environmental or social objectives.
- The sub-category **#1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.

The exclusions (as described above) will be applied to at least 80% of the portfolio, however the Fund also expects to allocate a minimum of 20% of its assets to sustainable investments. Among these sustainable investments, the Fund commits to make a minimum of 1% of sustainable investments with an environmental objective and 1% of sustainable investments with a social objective which can both vary independently at any time.

A maximum of 20% of the Fund's assets may be invested in hedging and/or cash instruments for efficient portfolio management purposes, which do not align with any environmental or social characteristics.

As explained above, any investments that are held by the Fund but become restricted because they breach the investment exclusions set out above, after they are acquired for the Fund, will be sold. Such sales will take place over a period of time to be determined by the Investment Adviser, taking into account the best interests of the shareholders of the Fund. Such investments are included in the "#2 Other" category.

These percentages are measured according to the value of the investments.

### ● **How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?**

Derivatives may be used by the Fund for investment or efficient portfolio management (including hedging) purposes only. These instruments are not used to attain the environmental or social characteristics of the Fund.



## To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

Not applicable – the Investment Adviser does not take account of the EU Taxonomy in its management of the Fund and as such the Fund’s sustainable investments do not take into account the criteria for environmentally sustainable economic activities under the EU Taxonomy.

### ● Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy<sup>1</sup>?

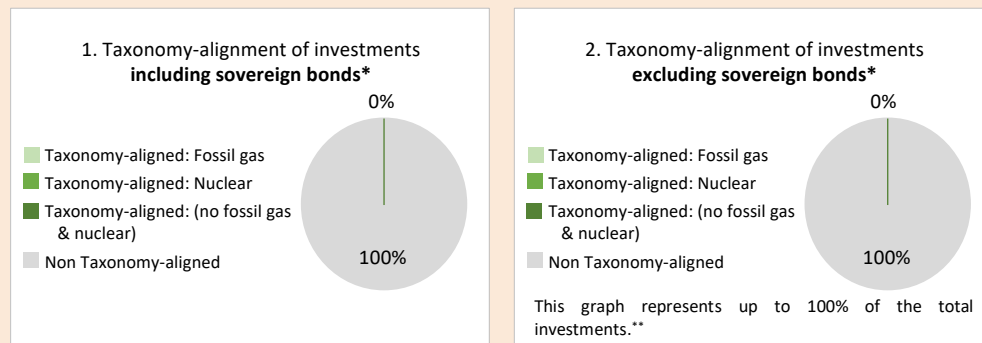
- Yes:  
 In fossil gas     In nuclear energy  
 No

To comply with EU Taxonomy, the criteria for **fossil gas** include limitations on emission and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

**Transitional activities** are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

*The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.*



\* For the purpose of these graphs, ‘sovereign bonds’ consist of all sovereign exposures.

\*\*The proportion of total investments shown in this graph is purely indicative and may vary over time. As the Fund does not commit to making sustainable investments aligned with the EU Taxonomy, the proportion of any sovereign exposure in the Fund’s portfolio will not impact the proportion of sustainable investments aligned with the EU Taxonomy included in the graph.

### ● What is the minimum share of investments in transitional and enabling activities?

Not applicable - Although the Fund commits to invest in sustainable investments within the meaning of the SFDR, there is no commitment to a minimum share of investments in transitional and enabling activities.

<sup>1</sup> Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change (“climate change mitigation”) and do not significantly harm any EU Taxonomy objective – see explanatory note in the left-hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.



are sustainable investments with an environmental objective that **do not take into account** the criteria for environmentally sustainable economic activities under the EU Taxonomy.

### What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?

The Fund intends to make a minimum of 20% sustainable investments, as defined under the SFDR, with a combination of environmental and social objectives, as described above. Among these, the Fund commits to make a minimum of 1% of sustainable investments with an environmental objective and 1% of sustainable investments with a social objective which can both vary independently at any time. These sustainable investments will represent at least 20% of the portfolio holdings on an aggregated basis.

The Fund's sustainable investments with an environmental objective **do not take into account the criteria** for environmentally sustainable economic activities under the EU Taxonomy.

Although some of these sustainable investments may be Taxonomy aligned, due to lack of available data regarding the Taxonomy alignment of the underlying securities, the Investment Adviser has not been able to confirm whether these investments are in fact Taxonomy aligned and accordingly will not consider them as such in calculations until this data is reported on or otherwise becomes more reliable. As such, the Investment Adviser uses its own methodology to determine whether certain investments are sustainable in accordance with the SFDR sustainable investment test, and then invests in such assets for the Fund.



### What is the minimum share of socially sustainable investments?

As explained above, the Fund may make sustainable investments which contribute to either environmental or social objectives. Among these, the Fund commits to make a minimum of 1% of sustainable investments with an environmental objective and 1% of sustainable investments with a social objective which can both vary independently at any time. These sustainable investments will represent at least 20% of the portfolio holdings on an aggregated basis.



### What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?

The Fund may have investments in hedging instruments for efficient portfolio management and in cash as ancillary liquidity. These instruments are included in the “#2 Other” category and are not subject to environmental and/or social screening or any minimum environmental or social safeguards.



### Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?

Not applicable

**Reference benchmarks** are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.



### Where can I find more product specific information online?

More product-specific information can be found on the website:

[https://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite\\_msinvf\\_globalfixedincomeopportunities\\_en.pdf](https://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite_msinvf_globalfixedincomeopportunities_en.pdf)

**Pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852**

**Product name:**  
Global High Yield Bond Fund

**Legal entity identifier:**  
549300IGC07J6G0N2H29

## Environmental and/or social characteristics

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**.

That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

**Does this financial product have a sustainable investment objective?**

**Yes**

**No**

It will make a minimum of **sustainable investments with an environmental objective: \_\_\_%**

- in economic activities that qualify as environmentally sustainable under the EU Taxonomy
- in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

It will make a minimum of **sustainable investments with a social objective: \_\_\_%**

It **promotes Environmental/Social (E/S) characteristics** and while it does not have as its objective a sustainable investment, it will have a minimum proportion of 20 % of sustainable investments

- with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy
- with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy
- with a social objective

It promotes E/S characteristics, but **will not make any sustainable investments**



## What environmental and/or social characteristics are promoted by this financial

The Fund promotes the environmental characteristic of climate change mitigation by excluding investments in certain types of fossil fuels. In addition, the Fund promotes the social characteristic of avoiding investments in certain activities which can cause harm to human health and wellbeing. Further detail on the nature of these exclusions is set out below (in response to the question, “*What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?*”).

The Fund also aims to make a minimum of 5% sustainable investments in:

- Corporate issuers whose business practices, products or solutions, make a net positive contribution towards United Nations’ Sustainable Development Goals (“SDGs”); or
- Sustainable Bonds which make a positive environmental or social contribution through their use of proceeds, as explained in response to the question below, “*What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?*”.

The Fund has not designated a reference benchmark for the purpose of attaining its environmental or social characteristics.

**Sustainability indicators** measure how the environmental or social characteristics promoted by the financial product are attained.

### ● ***What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?***

The sustainability indicator used to measure the attainment of the Fund’s environmental and social characteristics is the Fund’s exposure, in percentage market value, to issuers that violate any of the exclusion criteria. Additional details on the Fund’s exclusions criteria and methodology are provided below in response to the question, “*What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?*”

### ● ***What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?***

The Fund’s sustainable investments will fall within one of the following categories:

- 
- Bonds from corporate issuers whose business practices, products or solutions, make a net positive contribution towards the SDGs. The SDGs were adopted by the United Nations in 2015 as a universal call to action to end poverty, protect the planet and ensure that by 2030 all people enjoy peace and prosperity. The Investment Adviser defines positive contribution to the SDGs as a net positive aggregate alignment score across all the SDGs (i.e., scores measuring positive contribution to individual SDGs have to, in total, be greater than the total of any negative contribution scores), based on third-party data. The Investment Adviser will also only include issuers which have sufficient positive SDG alignment (in the Investment Adviser’s view) with at least one individual SDG, and which do not have any material mis-alignments (in the Investment Adviser’s view) on any of the SDGs.
- Green, Social or Sustainability Bonds (“**Sustainable Bonds**”), as labelled in the securities’ documentation, where the issuer commits to allocate the proceeds to projects making a positive environmental or social contribution. This includes, but is not limited to, bonds that align with the International Capital Market Association (ICMA)’s Green Bond Principles, Social Bond Principles, and Sustainability Bond Guidelines. Sustainable Bonds mobilise financing directly towards a multiplicity of environmental and social projects whose focus spans across a number of sustainability objectives. Examples include, but are not limited to, financing for renewable energy, energy efficiency, clean transportation, affordable housing, and financial

inclusion projects. The specific objectives to which the Sustainable Bonds contribute depend on the eligible environmental and social project categories of each security.

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

● ***How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?***

The Fund's sustainable investments aim not to cause significant harm to any environmental or social objective, by:

- avoiding investments in issuers that violate minimum social safeguards; and
- excluding issuers which breach thresholds set by the Investment Adviser relating to the principal adverse impact ("PAI") indicators which the Investment Adviser is required to consider by the EU Sustainable Finance Disclosure Regulation ("SFDR") rules, and which are relevant to the investment.

This assessment is conducted using in-house proprietary as well as third-party research on the sustainability characteristics of the Fund's holdings.

– ***How have the indicators for adverse impacts on sustainability factors been taken into account?***

The "do no significant harm" methodology applied by the Investment Adviser on sustainable investments seeks to exclude investments that cause harm to any of the PAI indicators (listed below) which are mandatory for the Investment Adviser to consider under the EU SFDR rules, and which are relevant to the investment.

PAI indicators:

**Investee companies**

1. GHG emissions
2. Carbon Footprint
3. GHG intensity of investee companies
4. Exposure to companies active in the fossil sector
5. Share of non-renewable energy consumption and production
6. Energy consumption intensity per high impact climate sector
7. Activities negatively affecting biodiversity sensitive areas
8. Emissions to water
9. Hazardous waste ratio
10. Violations of UN Global Compact and OECD
11. Lack of processes and compliance mechanisms to monitor compliance with the UNGC and OECD
12. Unadjusted gender pay gap
13. Board gender diversity
14. Exposure to controversial weapons

The Investment Adviser has determined specific metrics and quantitative thresholds for what constitutes significant harm to screen PAI indicators that are relevant to the investment, using third-party data. The thresholds are set: (i) on an absolute value basis; (ii) on a relative basis in the context of the investment universe; or (iii) using pass/fail scores. Different metrics or thresholds may apply to issuers located in developed markets and in emerging markets, respectively. This is intended to reflect the different extent to which the Investment Adviser deems that meeting minimum sustainability standards in these markets is currently achievable. In addition, different relative thresholds may apply to similar indicators: for example, the Investment Adviser currently applies a lower threshold to determine significant adverse impact with respect to scope 3 emissions intensity as compared to scope 1 and 2 emissions intensity. This is because: (i) companies have less control over their indirect emissions; and (ii) data estimates for scope 3 emissions, which

currently prevail over reported data compared to scope 1 and 2 emissions, may result in a less accurate PAI assessment.

The Investment Adviser may use reasonable proxy indicators sourced from third parties to address the current lack of data for certain PAI indicators. The Investment Adviser's use of proxy indicators will be kept under review and will be replaced by data from third-party PAI data providers when the Investment Adviser determines that sufficiently reliable data has become available.

The Investment Adviser generally conducts the PAI assessment at the issuer level. However, where appropriate the assessment may be done at the security level in whole or in part. For instance, in the case of Sustainable Bonds, as defined above, the PAI indicators that are directly related to the sustainability factors targeted by the bond's use of proceeds will be assessed at the security level, through the Investment Adviser's proprietary Sustainable Bond Evaluation Framework. As an example, the Fund may invest in a Green Bond issued by a utility company that has a negative assessment under the PAI indicators related to GHG emissions and/or GHG intensity, as long as the Investment Adviser evaluates that the issuer has a credible strategy to reduce its GHG emissions and the Green Bond specifically contributes towards such goal. Other PAI indicators that are unrelated to the Sustainable Bond's use of proceeds are assessed at the issuer level.

The Fund's PAI assessment is supported, on a qualitative basis, by the Investment Adviser's engagement with selected issuers on their corporate governance practices, as well as on other material sustainability issues related to the SDGs, in line with the Investment Adviser's Fixed Income Engagement Strategy, available on [y.com/im](https://www.morganstanley.com/im).

– *How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:*

The Fund's sustainable investments exclude issuers which have experienced very severe controversies that are deemed to violate the UN Global Compact, the UN Guiding Principles on Business and Human Rights, or the ILO Fundamental Principles, and issuers with very severe controversies related to violations of the OECD Guidelines for Multinational Enterprises. This screening is done using third-party data.

*The EU Taxonomy sets out a "do not significant harm" principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.*

*The "do no significant harm" principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.*

*Any other sustainable investments must also not significantly harm any environmental or social objectives.*

Regulation requires that this document include these statements. However, for the avoidance of doubt, this Fund does not: (i) take into account the EU criteria for environmentally sustainable economic activities in the EU Taxonomy; or (ii) calculate its portfolio alignment with the EU Taxonomy. As such, the Fund is 0% aligned with the EU Taxonomy. The "do no significant harm" principle applies only to the portion of the Fund's investments that are sustainable investments.





## Does this financial product consider principal adverse impacts on sustainability factors?

- Yes
- No

The Fund considers all of the mandatory PAI on sustainability factors which are relevant to the investment for the portion allocated to sustainable investments, as described above in response to the question, “How have the indicators for adverse impacts on sustainability factors been taken into account?”

The portion of the Fund that is not made of sustainable investments considers the PAI only in part through the Fund’s exclusionary criteria as follows:

- The Fund excludes issuers which derive any revenue from thermal coal mining and extraction. The Fund therefore partly considers the PAI indicator 4: exposure to companies active in the fossil fuel sector.
- The Fund excludes issuers which derive any revenue from controversial weapons manufacturing or retail. The Fund therefore considers in whole the PAI indicator 14: exposure to controversial weapons.

The Fund will make information available on how it has incorporated the PAIs into the Fund in its periodic report to investors.



## What investment strategy does this financial product follow?

The Fund aims to provide an attractive rate of return, measured in US Dollars, through investing primarily in high yield and unrated Fixed Income Securities, while reducing exposure to sustainability risks through exclusionary screening of selected fossil fuels and of activities which can cause dangers to human health and wellbeing.

In addition to the ESG considerations described in this summary on a binding basis, the Fund integrates ESG considerations in the investment decision-making process to support its environmental and social characteristics on a non-binding basis, based on the Investment Adviser’s in-house research and methodologies and on third-party data.

The investment process is subject to regular review, as part of a control and monitoring framework implemented by the Investment Adviser. The Investment Adviser’s Compliance, Risk and Portfolio Surveillance teams collaborate with the investment team to conduct regular portfolio/performance reviews and systemic checks to ensure compliance with portfolio investment objectives and environmental and social characteristics, taking into account changing market conditions, information and strategy developments.

● **What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?**

The binding elements of the investment strategy are described in the table below.

The criteria are implemented and monitored by the Investment Adviser using a combination of third-party data and in-house research.

Binding criteria	
The Fund will not invest in corporate issuers which:	<b>Derive any revenue from any of the following activities:</b>

**The investment strategy** guides investment decisions based on factors such as investment objectives and risk tolerance.

	<ul style="list-style-type: none"> <li>• Controversial weapons manufacturing or retail (anti-personnel landmines, cluster munitions, biological or chemical weapons, and nuclear weapons);</li> <li>• Civilian firearms manufacturing or retail;</li> <li>• Tobacco manufacturing; or</li> </ul> <p><b><u>Derive more than 5% revenue from any of the following activities:</u></b></p> <ul style="list-style-type: none"> <li>• Thermal coal mining and extraction. The Fund may, as an exception, invest in labelled Sustainable Bonds issued by fossil fuel companies, which are intended to raise proceeds specifically for projects that promote positive environmental contributions mitigating the adverse sustainability impact of coal, such as renewable energy or energy efficiency, based on information available in the bond issuance documentation.</li> </ul>
<b>Sustainable investments</b>	The Fund will maintain a minimum of 5% of sustainable investments, which meet the criteria as set out in response to the question, <i>“What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?”</i>

The Investment Adviser may decide to implement additional restrictions to the Fund, and such new restrictions will be disclosed in the Fund’s SFDR Website Disclosure.

**Good governance** practices include sound management structures, employee relations, remuneration of staff and tax compliance.

● ***What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?***

The Fund does not target a specific reduction rate of the scope of investments.

● ***What is the policy to assess good governance practices of the investee companies?***

As part of its bottom-up, fundamental research process, the Investment Adviser systematically incorporates the assessment of an issuer’s corporate governance and business practices, including but not limited to evidence of sound management structures and employee relations, fair remuneration of staff, and tax compliance, in order to ensure that every investee company follows good governance practices.

This is done through the monitoring of data on governance-related, as well as on other environmental and/or social factors and controversies, sourced from third party providers, through in-house research, and through engagement with the management of selected issuers on corporate governance and disclosure issues.

In addition, the Fund’s sustainable investments exclude any company that is involved in very severe governance-related controversies.



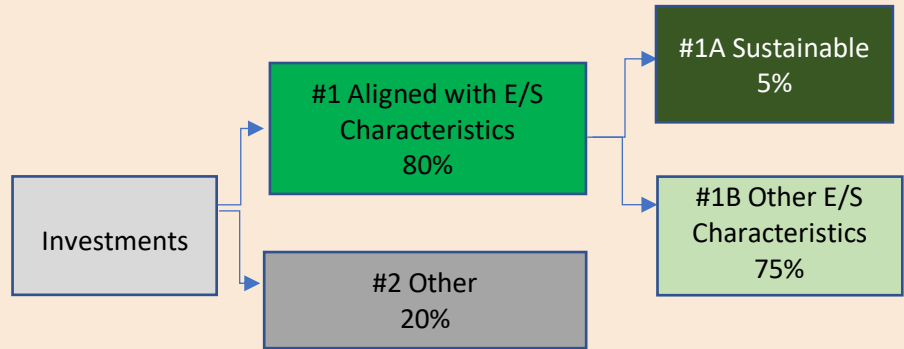
### Asset allocation

describes the share of investments in specific assets.

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.

## What is the asset allocation planned for this financial product?



**#1 Aligned with E/S characteristics** includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

**#2 Other** includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

The category **#1 Aligned with E/S characteristics** covers:

- The sub-category **#1A Sustainable** covers sustainable investments with environmental or social objectives.
- The sub-category **#1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.

The exclusions (as described above) will be applied to at least 80% of the portfolio, of which the Fund also expects to allocate a minimum of 5% of its assets to sustainable investments. Among these sustainable investments, the Fund commits to make a minimum of 1% of sustainable investments with an environmental objective and 1% of sustainable investments with a social objective which can both vary independently at any time.

A maximum of 20% of the Fund's assets may be invested in hedging and/or cash instruments for efficient portfolio management purposes, which do not align with any environmental or social characteristics.

These percentages are measured according to the value of the investments.

### ● **How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?**

Derivatives may be used by the Fund for investment or efficient portfolio management (including hedging) purposes only. These instruments are not used to attain the environmental or social characteristics of the Fund.



### **To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?**

Not applicable – the Investment Adviser does not take account of the EU Taxonomy in its management of the Fund and as such the Fund's sustainable investments do not take into account the criteria for environmentally sustainable economic activities under the EU Taxonomy.

● **Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy<sup>1</sup>?**

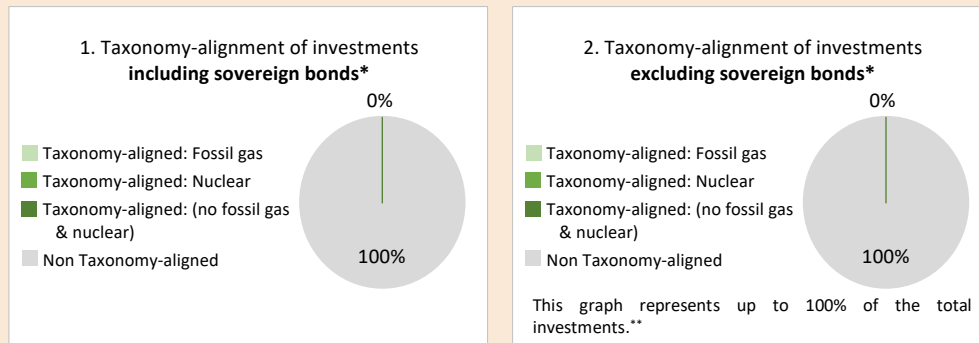
- Yes:  
 In fossil gas     In nuclear energy  
 No

To comply with EU Taxonomy, the criteria for **fossil gas** include limitations on emission and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

**Transitional activities** are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

*The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.*



\* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures.

\*\*The proportion of total investments shown in this graph is purely indicative and may vary over time. As the Fund does not commit to making sustainable investments aligned with the EU Taxonomy, the proportion of any sovereign exposure in the Fund's portfolio will not impact the proportion of sustainable investments aligned with the EU Taxonomy included in the graph.

● **What is the minimum share of investments in transitional and enabling activities?**

Not applicable - Although the Fund commits to invest in sustainable investments within the meaning of the SFDR, there is no commitment to a minimum share of investments in transitional and enabling activities.

<sup>1</sup> Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objective – see explanatory note in the left-hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.



are sustainable investments with an environmental objective that **do not take into account** the criteria for environmentally sustainable economic activities under the EU Taxonomy.

### What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?

The Fund intends to make a minimum of 5% sustainable investments, as defined under the SFDR, with a combination of environmental and social objectives, as described above. Among these, the Fund commits to make a minimum of 1% of sustainable investments with an environmental objective and 1% of sustainable investments with a social objective which can both vary independently at any time. These sustainable investments will represent at least 5% of the portfolio holdings on an aggregated basis.

The Fund's sustainable investments with an environmental objective **do not take into account the criteria** for environmentally sustainable economic activities under the EU Taxonomy.

Although some of these sustainable investments may be Taxonomy aligned, due to lack of available data regarding the Taxonomy alignment of the underlying securities, the Investment Adviser has not been able to confirm whether these investments are in fact Taxonomy aligned and accordingly will not consider them as such in calculations until this data is reported on or otherwise becomes more reliable. As such, the Investment Adviser uses its own methodology to determine whether certain investments are sustainable in accordance with the SFDR sustainable investment test, and then invests in such assets for the Fund.



### What is the minimum share of socially sustainable investments?

As explained above, the Fund may make sustainable investments which contribute to either environmental or social objectives. Among these, the Fund commits to make a minimum of 1% of sustainable investments with an environmental objective and 1% of sustainable investments with a social objective which can both vary independently at any time. These sustainable investments will represent at least 5% of the portfolio holdings on an aggregated basis.



### What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?

The Fund may have investments in hedging instruments for efficient portfolio management and in cash as ancillary liquidity. These instruments are included in the “#2 Other” category and are not subject to environmental and/or social screening or any minimum environmental or social safeguards.



### Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?

Not applicable

**Reference benchmarks** are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.



## Where can I find more product specific information online?

More product-specific information can be found on the website:

[https://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite\\_msinvf\\_sustainableglobalhighyield\\_en.pdf](https://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite_msinvf_sustainableglobalhighyield_en.pdf)

Pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852

Product name:

Short Maturity Euro Bond Fund

Legal entity identifier:

IQZY8EWFJYACW1750M88

## Environmental and/or social characteristics

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**.

That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

### Does this financial product have a sustainable investment objective?

Yes

It will make a minimum of **sustainable investments with an environmental objective: \_\_\_%**

in economic activities that qualify as environmentally sustainable under the EU Taxonomy

in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

It will make a minimum of **sustainable investments with a social objective: \_\_\_%**

No

It **promotes Environmental/Social (E/S) characteristics** and while it does not have as its objective a sustainable investment, it will have a minimum proportion of 30% of sustainable investments

with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy

with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

with a social objective

It promotes E/S characteristics, but **will not make any sustainable investments**



## What environmental and/or social characteristics are promoted by this financial product?

The Fund promotes the environmental characteristic of climate change mitigation by excluding investments in certain types of fossil fuels. In addition, the Fund promotes the social characteristic of avoiding investments in activities which can cause harm to human health and wellbeing, in sovereign issuers that significantly violate social rights, and securitisations that violate responsible business or lending practices.

Further detail on the nature of these exclusions is set out below (in response to the question, “*What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?*”).

The Fund also aims to make a minimum of 30% sustainable investments in:

- Corporate issuers whose business practices, products or solutions, make a net positive contribution towards United Nations’ Sustainable Development Goals (“SDGs”);
- Sovereign issuers with ESG scores in the top-2 ranks according to the Investment Adviser’s proprietary scoring methodology, associated with positive environmental or social attributes; or
- Sustainable Bonds, from any type of issuer, which make a positive environmental or social contribution through their use of proceeds, as explained in response to the question below, “*What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?*”

The Fund has not designated a reference benchmark for the purpose of attaining its environmental or social characteristics.

**Sustainability indicators** measure how the environmental or social characteristics promoted by the financial product are attained.

### ● ***What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?***

The sustainability indicator used to measure the attainment of the Fund’s environmental and social characteristics is the Fund’s exposure, in percentage market value, to issuers that violate any of the exclusion criteria. Additional details on the Fund’s exclusions criteria and methodology are provided below in response to the question, “*What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?*”

### ● ***What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?***

The Fund’s sustainable investments will fall within one of the following categories:

- Green, Social or Sustainability Bonds (“Sustainable Bonds”), as labelled in the securities’ documentation, where the issuer commits to allocate the proceeds to projects making a positive environmental or social contribution. This includes, but is not limited to, bonds that align with the International Capital Market Association (ICMA)’s Green Bond Principles, Social Bond Principles, and Sustainability Bond Guidelines, and bonds which have been assessed through the Investment Adviser’s proprietary Sustainable Bond evaluation framework. Sustainable Bonds mobilise financing directly towards a multiplicity of environmental and social projects whose focus spans across a number of sustainability objectives. Examples include, but are not limited to, financing for renewable energy, energy efficiency, clean transportation, affordable housing, and financial inclusion projects. The specific objectives to which the Sustainable Bonds contribute depend on the eligible environmental and social project categories of each security.
- Bonds from corporate issuers whose business practices, products or solutions, make a net positive contribution towards the SDGs. The SDGs were adopted by the United Nations in



2015 as a universal call to action to end poverty, protect the planet and ensure that by 2030 all people enjoy peace and prosperity. The Investment Adviser defines positive contribution to the SDGs as a net positive aggregate alignment score across all the SDGs (i.e., scores measuring positive contribution to individual SDGs have to, in total, be greater than the total of any negative contribution scores), based on third-party data. The Investment Adviser will also only include issuers which have sufficient positive SDG alignment (in the Investment Adviser's view) with at least one individual SDG, and which do not have any material mis-alignments (in the Investment Adviser's view) on any of the SDGs.

- Bonds from sovereign issuers with an ESG rank of 4 or 5, in a 1-5 range where 5 is best, based on the Investment Adviser's proprietary ESG scoring methodology. Ranks of 4 and 5 reflect a country's positive contribution towards environmental and social themes such as decarbonisation, forestry conservation, promotion of education, health and wellbeing, and good living standards. The Investment Adviser will, however, not treat the investment as sustainable if the sovereign issuer ranked 4 or 5 has experienced recent negative momentum as assessed through in-house research, which is not captured by ESG data providers. For example, this may include circumstances where a country is facing significant political and/or social instability.

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

● ***How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?***

The Fund's sustainable investments aim not to cause significant harm to any environmental or social objective, by:

- avoiding investments in issuers that violate minimum social safeguards; and
- by the Fund excluding issuers which breach thresholds set by the Investment Advisers relating to the principal adverse impact ("PAI") indicators which the Investment Adviser is required to consider by the EU Sustainable Finance Disclosure Regulation ("SFDR") rules, and which are relevant to the investment.

This assessment is conducted using in-house proprietary as well as third-party research on the sustainability characteristics of the Fund's holdings.

– ***How have the indicators for adverse impacts on sustainability factors been taken into account?***

The "do no significant harm" methodology applied by the Investment Adviser on sustainable investments seeks to exclude investments that cause harm to any of the PAI indicators (listed

below) which are mandatory for the Investment Adviser to consider under the EU SFDR rules, and which are relevant to the investment.

PAI indicators:

#### **Investee companies**

1. GHG emissions
2. Carbon Footprint
3. GHG intensity of investee companies
4. Exposure to companies active in the fossil sector
5. Share of non-renewable energy consumption and production
6. Energy consumption intensity per high impact climate sector
7. Activities negatively affecting biodiversity sensitive areas
8. Emissions to water
9. Hazardous waste ratio
10. Violations of UN Global Compact and OECD
11. Lack of processes and compliance mechanisms to monitor compliance with the UNGC and OECD
12. Unadjusted gender pay gap
13. Board gender diversity
14. Exposure to controversial weapons

#### **Sovereign**

1. Sovereign GHG intensity
2. Investee countries subject to social violations

The Investment Adviser has determined specific metrics and quantitative thresholds for what constitutes significant harm to screen PAI indicators that are relevant to the investment, using third-party data as well as in-house research. The thresholds are set: (i) on an absolute value basis; (ii) on a relative basis in the context of the investment universe; or (iii) using pass/fail scores. Different metrics or thresholds may apply to issuers located in developed markets and in emerging markets, respectively. This is intended to reflect the different extent to which the Investment Adviser deems that meeting minimum sustainability standards in these markets is currently achievable. In addition, different relative thresholds may apply to similar indicators: for example, the Investment Adviser currently applies a lower threshold to determine significant adverse impact with respect to scope 3 emissions intensity as compared to scope 1 and 2 emissions intensity. This is because: (i) companies have less control over their indirect emissions; and (ii) data estimates for scope 3 emissions, which currently prevail over reported data compared to scope 1 and 2 emissions, may result in a less accurate PAI assessment.

The Investment Adviser may use reasonable proxy indicators sourced from third parties to address the current lack of data for certain PAI indicators. The Investment Adviser's use of proxy indicators will be kept under review and will be replaced by PAI data from third-party data providers, when the Investment Adviser determines that sufficiently reliable data has become available.

The Investment Adviser generally conducts the PAI assessment at the issuer level. However, where appropriate the assessment may be done at the security level in whole or in part. For instance, in the case of Sustainable Bonds, as defined above, the PAI indicators that are directly related to the sustainability factors targeted by the bond's use of proceeds will be assessed at the security level, through the Investment Adviser's proprietary Sustainable Bond Evaluation Framework. As an example, the Fund may invest in a Green Bond issued by a utility company that has a negative assessment of the PAI indicators related to GHG emissions and/or GHG intensity, as long as the Investment Adviser evaluates that the issuer has a credible strategy to reduce its GHG emissions, and that the Green Bond specifically contributes towards such goal. Other PAI indicators that are unrelated to the Sustainable Bond's use of proceeds are still assessed at the issuer level.

The Fund's PAI assessment is supported, on a qualitative basis, by the Investment Adviser's engagement with selected issuers on their corporate governance practices, as well as on

other material sustainability issues related to the SDGs, in line with the Investment Adviser's Fixed Income Engagement Strategy, available on [www.morganstanley.com/im](http://www.morganstanley.com/im).

- *How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:*

The Fund's sustainable investments exclude issuers which have experienced very severe controversies that are deemed to violate the UN Global Compact, the UN Guiding Principles on Business and Human Rights, or the ILO Fundamental Principles, and issuers with very severe controversies related to violations of the OECD Guidelines for Multinational Enterprises. This screening is done using third-party data.

*The EU Taxonomy sets out a "do not significant harm" principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.*

*The "do no significant harm" principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.*

*Any other sustainable investments must also not significantly harm any environmental or social objectives.*

*Regulation requires that this document include these statements. However, for the avoidance of doubt, this Fund does not: (i) take into account the EU criteria for environmentally sustainable economic activities in the EU Taxonomy; or (ii) calculate its portfolio alignment with the EU Taxonomy. As such, the Fund is 0% aligned with the EU Taxonomy. The "do no significant harm" principle applies only to the portion of the Fund's investments that are sustainable investments.*



### Does this financial product consider principal adverse impacts on sustainability factors?

- Yes  
 No

The Fund considers all of the mandatory PAI on sustainability factors which are relevant to the investment for the portion allocated to sustainable investments, as described above in response to the question, "How have the indicators for adverse impacts on sustainability factors been taken into account?"

The portion of the Fund that is not made of sustainable investments considers the PAI only in part through the Fund's exclusionary criteria, as follows:

- The Fund excludes issuers which derive any revenue from thermal coal mining and extraction. The Fund therefore partly considers the PAI indicator 4: exposure to companies active in the fossil fuel sector.
- The Fund excludes issuers which derive any revenue from controversial weapons manufacturing or retail. The Fund therefore considers in whole the PAI indicator 14: exposure to controversial weapons.

- The Fund excludes sovereign issuers where there is evidence of them having caused significant harm from social violations, which the Investment Adviser defines in relation to the bottom-10% ranked countries on an indicator reflecting the fulfilment of social rights, as further explained in response to the question, “What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?” The Fund therefore considers in part the PAI indicator number 16: investee countries subject to social violations.

The Fund will make information available on how it has incorporated the PAIs into the Fund in its periodic reports to investors.



### What investment strategy does this financial product follow?

**The investment strategy** guides investment decisions based on factors such as investment objectives and risk tolerance.

The Fund aims to provide an attractive rate of relative return, measured in Euro, through investments in issues of Euro denominated fixed income securities whether issued by corporations, government or government guaranteed issuers, while reducing exposure to sustainability risks through exclusionary screening of selected fossil fuels and of activities which can cause dangers to human health and wellbeing, of sovereign issuers that violate social rights, and of securitisations that violate responsible business or lending practices. The Fund will invest primarily, in order to reduce volatility, in individual securities with maturity dates having a maximum of five years.

In addition to the ESG considerations described in this summary on a binding basis, the Fund integrates ESG considerations in the investment decision-making process to support its environmental and social characteristics on a non-binding basis, based on the Investment Adviser’s in-house research and methodologies and on third-party data.

The investment process is subject to regular review, as part of a control and monitoring framework implemented by the Investment Adviser. The Investment Adviser’s Compliance, Risk and Portfolio Surveillance teams collaborate with the investment team to conduct regular portfolio/performance reviews and systemic checks to ensure compliance with portfolio investment objectives and environmental and social characteristics, taking into account changing market conditions, information and strategy developments.

● **What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?**

The binding elements of the investment strategy are described in the table below.

The criteria are implemented and monitored by the Investment Adviser using a combination of third-party data and in-house research.

Binding criteria	
<p><b>The Fund will not invest in corporate issuers which:</b></p>	<p><b><u>Derive any revenue from any of the following activities:</u></b></p> <ul style="list-style-type: none"> <li>• Controversial weapons manufacturing or retail (anti-personnel landmines, cluster munitions, biological or chemical weapons, and nuclear weapons);</li> <li>• Civilian firearms manufacturing or retail;</li> <li>• Tobacco manufacturing; or</li> </ul> <p><b><u>Derive more than 5% revenue from any of the following activities:</u></b></p> <ul style="list-style-type: none"> <li>• Thermal coal mining and extraction. The Fund may, as an exception, invest in labelled Sustainable Bonds issued by</li> </ul>

	<p>fossil fuel companies, which are intended to raise proceeds specifically for projects that promote positive environmental contributions mitigating the adverse sustainability impact of coal, such as renewable energy or energy efficiency, based on information available in the bond issuance documentation.</p>
<p><b>The Fund will not invest in sovereign issuers which:</b></p>	<p>Are in the bottom-10% ranked countries for social violations, based on the Investment Adviser’s custom indicator.</p> <p>The social violations custom indicator is calculated by the Investment Adviser taking into consideration a country’s performance on issues including, but not limited to, the application of human rights and civil liberties, the quality of contract enforcement and security, freedom of expression, association and free media, as assessed by underlying data from third parties.</p> <p>Investments that are held by the Fund but become restricted because they breach the investment exclusions set out above, after they are acquired for the Fund, will be sold. Such sales will take place over a period of time to be determined by the Investment Adviser, taking into account the best interests of the shareholders of the Fund.</p> <p>In addition, any investments in sovereign issuers exhibiting positive momentum with respect to such violations, shall not be subject to the purchase restriction. For example, if a country is in the process of making significant remediation efforts, such as through electoral or policy reforms and engagement with civil society, with regard to any social violations, the Investment Adviser may not exclude the investment from the Fund, provided this is kept under review by the Investment Adviser.</p>
<p><b>The Fund will not invest in securitisations in which:</b></p>	<ul style="list-style-type: none"> <li>• The underlying loans show evidence of predatory lending, as determined by the applicable usury laws, and in the context of market rates and borrower’s risk profile;*</li> <li>• The lender or servicer of the underlying assets has committed a severe breach of consumer protection standards: <ul style="list-style-type: none"> <li>○ as established by the Consumer Financial Protection Bureau (CFPB) in the United States; or</li> <li>○ as established by any relevant regulatory and supervisory agency in the jurisdiction where the securitisation’s originator and/or collateral are located;</li> </ul> <p>if the breach relates to the securitisation’s underlying collateral, underwriting and servicing practices, unless there is evidence of the breach having been or being remediated;** or</p> </li> <li>• The originator, lender or servicers has been involved in controversy cases related to business ethics and fraud that the Investment Adviser views as “Very Severe” based on data by relevant ESG data providers, and where the</li> </ul>

	<p>Investment Adviser considers appropriate remedial action has not been taken.</p> <p>* A loan is considered a predatory loan if:</p> <ul style="list-style-type: none"> <li>• Interest rates do not comply with U.S. usury laws or the equivalent in other jurisdictions; or</li> <li>• Interest rates being offered exceed a limit for which the Investment Adviser deems to be exceedingly higher than the industry standard. The Investment Adviser may choose to proceed with an investment where interest rates where interest rates surpass this level if following enhanced due diligence (including through direct engagement with the lending team and/or servicing department on the securitisation deal), the Investment Adviser determines that access to the loan is still beneficial to the borrower when taking into consideration its risk profile and alternative borrowing options. The interest rate levels which are considered industry standard are subject to periodic review by the Investment Adviser, based on the prevailing market conditions and prevailing rates across the industry at the time.</li> </ul> <p>** This exclusion criterion does not apply to lenders or servicers of U.S. government sponsored mortgage-backed securities, as their compliance of such securitisations with local regulatory standards is already monitored by the U.S. government on an ongoing basis. Such investments will be considered to fall within “#1 Aligned with E/S characteristics”, in response to the question, “<i>What is the asset allocation planned for this financial product?</i>”</p>
<p><b>Sustainable investments</b></p>	<p>The Fund will maintain a minimum of 30% of sustainable investments, which meet the criteria as set out in response to the question, “<i>What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?</i>”</p>

The Investment Adviser may decide to implement additional restrictions to the Fund, and such new restrictions will be disclosed in the Fund’s SFDR Website Disclosure.

**Good governance** practices include sound management structures, employee relations, remuneration of staff and tax compliance.

● **What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?**

The Fund does not target a specific reduction rate of the scope of investments.

● **What is the policy to assess good governance practices of the investee companies?**

As part of its bottom-up, fundamental research process, the Investment Adviser systematically incorporates the assessment of an issuer’s corporate governance and business practices, including but not limited to evidence of sound management structures and employee relations, fair remuneration of staff, and tax compliance, in order to ensure that every investee company follows good governance practices.

This is done through the monitoring of data on governance-related, as well as on other environmental and/or social factors and controversies, sourced from third party providers, through in-house research, and through engagement with the management of selected issuers on corporate governance and disclosure issues.

In addition, the Fund’s sustainable investments exclude any company that is involved in very severe governance-related controversies.

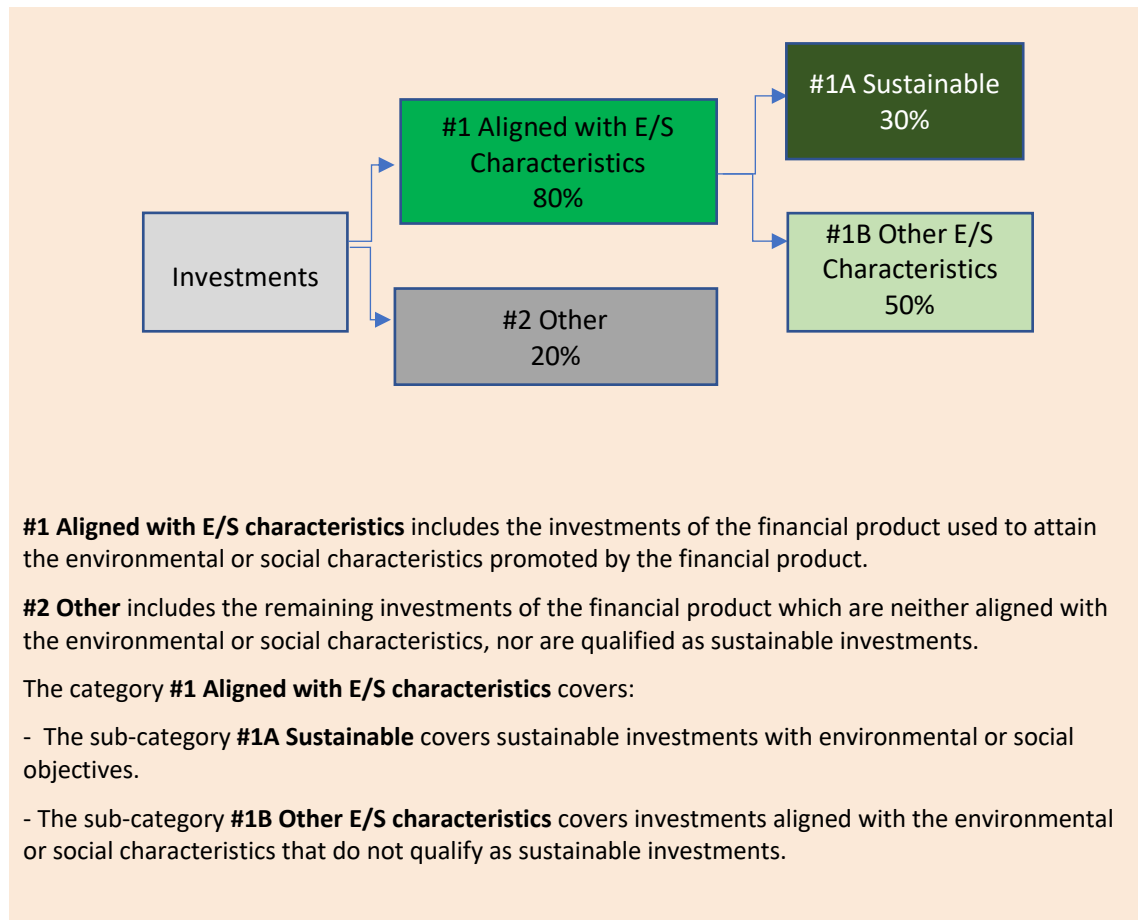


**Asset allocation** describes the share of investments in specific assets.

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.

**What is the asset allocation planned for this financial product?**



**#1 Aligned with E/S characteristics** includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

**#2 Other** includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

The category **#1 Aligned with E/S characteristics** covers:

- The sub-category **#1A Sustainable** covers sustainable investments with environmental or social objectives.
- The sub-category **#1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.

The exclusions (as described above) will be applied to at least 80% of the portfolio, however the Fund also expects to allocate a minimum of 30% of its assets to sustainable investments. Among these sustainable investments, the Fund commits to make a minimum of 1% of sustainable

investments with an environmental objective and 1% of sustainable investments with a social objective which can both vary independently at any time.

A maximum of 20% of the Fund's assets may be invested in hedging and/or cash instruments for efficient portfolio management purposes, which do not align with any environmental or social characteristics.

As explained above, any investments that are held by the Fund but become restricted because they breach the investment exclusions set out above, after they are acquired for the Fund, will be sold. Such sales will take place over a period of time to be determined by the Investment Adviser, taking into account the best interests of the shareholders of the Fund. Such investments are included in the "#2 Other" category.

These percentages are measured according to the value of the investments.

● ***How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?***

Derivatives may be used by the Fund for investment or efficient portfolio management (including hedging) purposes only. These instruments are not used to attain the environmental or social characteristics of the Fund.



**To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?**

Not applicable – the Investment Adviser does not take account of the EU Taxonomy in its management of the Fund and as such the Fund's sustainable investments do not take into account the criteria for environmentally sustainable economic activities under the EU Taxonomy.

● **Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy<sup>1</sup>?**

Yes:

In fossil gas     In nuclear energy

No

<sup>1</sup> Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objective – see explanatory note in the left-hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.



To comply with EU Taxonomy, the criteria for **fossil gas** include limitations on emission and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

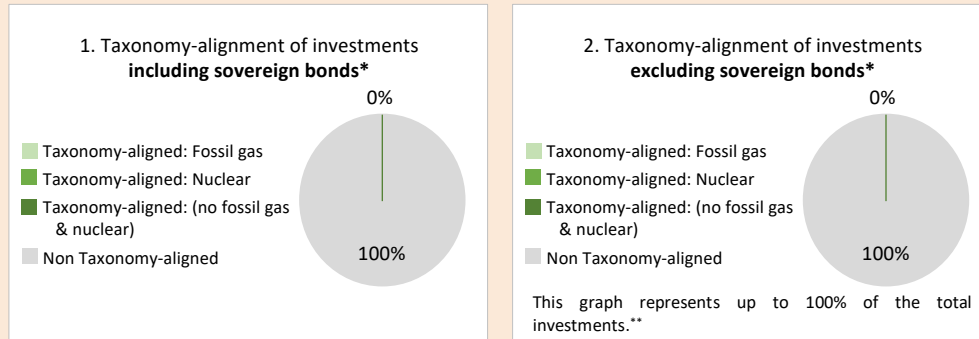
**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

**Transitional activities** are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.



are sustainable investments with an environmental objective that **do not take into account** the criteria for environmentally sustainable economic activities under the EU Taxonomy.

*The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.*



\* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures.

\*\*The proportion of total investments shown in this graph is purely indicative and may vary over time. As the Fund does not commit to making sustainable investments aligned with the EU Taxonomy, the proportion of any sovereign exposure in the Fund's portfolio will not impact the proportion of sustainable investments aligned with the EU Taxonomy included in the graph.

#### ● **What is the minimum share of investments in transitional and enabling activities?**

Not applicable - Although the Fund commits to invest in sustainable investments within the meaning of the SFDR, there is no commitment to a minimum share of investments in transitional and enabling activities.

#### **What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?**

The Fund intends to make a minimum of 30% sustainable investments, as defined under the SFDR, with a combination of environmental and social objectives, as described above. Among these, the Fund commits to make a minimum of 1% of sustainable investments with an environmental objective and 1% of sustainable investments with a social objective which can both vary independently at any time. These sustainable investments will represent at least 30% of the portfolio holdings on an aggregated basis.

The Fund's sustainable investments with an environmental objective **do not take into account the criteria** for environmentally sustainable economic activities under the EU Taxonomy.

Although some of these sustainable investments may be Taxonomy aligned, due to lack of available data regarding the Taxonomy alignment of the underlying securities, the Investment Adviser has not been able to confirm whether these investments are in fact Taxonomy aligned and accordingly will not consider them as such in calculations until this data is reported on or otherwise becomes more reliable. As such, the Investment Adviser uses its own methodology to determine whether certain investments are sustainable in accordance with the SFDR sustainable investment test, and then invests in such assets for the Fund.



### What is the minimum share of socially sustainable investments?

As explained above, the Fund may make sustainable investments which contribute to either environmental or social objectives. Among these, the Fund commits to make a minimum of 1% of sustainable investments with an environmental objective and 1% of sustainable investments with a social objective which can both vary independently at any time. These sustainable investments will represent at least 30% of the portfolio holdings on an aggregated basis.



### What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?

The Fund may have investments in hedging instruments for efficient portfolio management and in cash as ancillary liquidity. These instruments are included in the “#2 Other” category and are not subject to environmental and/or social screening or any minimum environmental or social safeguards.



### Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?

Not applicable

**Reference benchmarks** are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.



### Where can I find more product specific information online?

More product-specific information can be found on the website:

[https://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite\\_msinvf\\_shortmaturityeurobond\\_en.pdf](https://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite_msinvf_shortmaturityeurobond_en.pdf)

**Pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852**

**Product name:**

Short Maturity Euro Corporate Bond Fund

**Legal entity identifier:**

549300TGXT6HICNUSW15

## Environmental and/or social characteristics

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**.

That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

Does this financial product have a sustainable investment objective?	
●● <input type="checkbox"/> Yes	●● <input checked="" type="checkbox"/> No
<input type="checkbox"/> It will make a minimum of <b>sustainable investments with an environmental objective: ___%</b> <ul style="list-style-type: none"> <li><input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> </ul> <input type="checkbox"/> It will make a minimum of <b>sustainable investments with a social objective: ___%</b>	<input checked="" type="checkbox"/> It <b>promotes Environmental/Social (E/S) characteristics</b> and while it does not have as its objective a sustainable investment, it will have a minimum proportion of <u>40</u> % of sustainable investments <ul style="list-style-type: none"> <li><input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input checked="" type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> <li><input checked="" type="checkbox"/> with a social objective</li> </ul> <input type="checkbox"/> It promotes E/S characteristics, but <b>will not make any sustainable investments</b>



## What environmental and/or social characteristics are promoted by this financial product?

The Fund promotes the environmental characteristic of climate change mitigation by excluding investments in certain types of fossil fuels. In addition, the Fund promotes the social characteristic of avoiding investments in certain activities which can cause harm to human health and wellbeing.

Further detail on the nature of these exclusions is set out below (in response to the question, “*What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?*”).

The Fund also supports the above environmental and social characteristics by aiming to make a minimum of 40% sustainable investments in:

- Corporate issuers whose business practices, products or solutions, make a net positive contribution towards United Nations’ Sustainable Development Goals (“**SDGs**”); or
- Sustainable Bonds which make a positive environmental or social contribution through their use of proceeds, as explained in response to the question below, “*What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?*”.

The Fund has not designated a reference benchmark for the purpose of attaining its environmental or social characteristics.

**Sustainability indicators** measure how the environmental or social characteristics promoted by the financial product are attained.

### ● **What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?**

The sustainability indicator used to measure the attainment of the Fund’s environmental and social characteristics is the Fund’s exposure, in percentage market value, to issuers that violate any of the exclusion criteria. Additional details on the Fund’s exclusions criteria and methodology are provided below in response to the question, “*What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?*”

### ● **What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?**

The Fund’s sustainable investments will fall within one of the following categories:

- Green, Social or Sustainability Bonds (“Sustainable Bonds”), as labelled in the securities’ documentation, where the issuer commits to allocate the proceeds to projects making a positive environmental or social contribution. This includes, but is not limited to, bonds that align with the International Capital Market Association (ICMA)’s Green Bond Principles, Social Bond Principles, and Sustainability Bond Guidelines, and bonds which have been assessed through the Investment Adviser’s proprietary Sustainable Bond evaluation framework. Sustainable Bonds mobilise financing directly towards a variety of environmental and social projects whose focus spans across a number of sustainability objectives. Examples include, but are not limited to, financing for renewable energy, energy efficiency, clean transportation, affordable housing, and financial inclusion projects. The specific objectives to which the Sustainable Bonds contribute depend on the eligible environmental and social project categories of each security.
- Bonds from corporate issuers whose business practices, products or solutions, make a net positive contribution towards the SDGs. The SDGs were adopted by the United Nations in 2015 as a universal call to action to end poverty, protect the planet and ensure that by 2030 all people enjoy peace and prosperity. They include environmental (e.g. Climate Action or Life on Land) and social (e.g. Good Health and Well-Being) objectives. The Investment Adviser

defines positive contribution to the SDGs as a net positive aggregate alignment score across all the SDGs (i.e., scores measuring positive contribution to individual SDGs have to, in total, be greater than the total of any negative contribution scores), based on third-party data. The Investment Adviser will also only include issuers which have sufficient positive SDG alignment (in the Investment Adviser's view) with at least one individual SDG, and which do not have any material mis-alignments (in the Investment Adviser's view) on any of the SDGs.

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

● ***How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?***

The Fund's sustainable investments aim not to cause significant harm to any environmental or social objective, by:

- avoiding investments in issuers that violate minimum social safeguards; and
- by the Fund excluding issuers which breach thresholds set by the Investment Adviser relating to the principal adverse impact ("PAI") indicators which the Investment Adviser is required to consider by the EU Sustainable Finance Disclosure Regulation ("SFDR") rules, and which are relevant to the investment.

This assessment is conducted using in-house proprietary as well as third-party research on the sustainability characteristics of the Fund's holdings.

– ***How have the indicators for adverse impacts on sustainability factors been taken into account?***

The "do no significant harm" methodology applied by the Investment Adviser on sustainable investments seeks to exclude investments that cause harm to any of the PAI indicators (listed below) which are mandatory for the Investment Adviser to consider under the EU SFDR rules, and which are relevant to the investment.

PAI indicators:

**Investee companies**

1. GHG emissions
2. Carbon Footprint
3. GHG intensity of investee companies
4. Exposure to companies active in the fossil sector
5. Share of non-renewable energy consumption and production
6. Energy consumption intensity per high impact climate sector
7. Activities negatively affecting biodiversity sensitive areas
8. Emissions to water
9. Hazardous waste ratio
10. Violations of UN Global Compact and OECD
11. Lack of processes and compliance mechanisms to monitor compliance with the UNGC and OECD
12. Unadjusted gender pay gap
13. Board gender diversity
14. Exposure to controversial weapons

The Investment Adviser has determined specific metrics and quantitative thresholds for what constitutes significant harm to screen PAI indicators that are relevant to the investment, using third-party data. The thresholds are set: (i) on an absolute value basis; (ii) on a relative basis in

the context of the investment universe; or (iii) using pass/fail scores. Different metrics or thresholds may apply to issuers located in developed markets and in emerging markets, respectively. This is intended to reflect the different extent to which the Investment Adviser deems that meeting minimum sustainability standards in these markets is currently achievable. In addition, different relative thresholds may apply to similar indicators: for example, the Investment Adviser currently applies a lower threshold to determine significant adverse impact with respect to scope 3 emissions intensity as compared to scope 1 and 2 emissions intensity. This is because: (i) companies have less control over their indirect emissions; and (ii) data estimates for scope 3 emissions, which currently prevail over reported data compared to scope 1 and 2 emissions, may result in a less accurate PAI assessment.

The Investment Adviser may use reasonable proxy indicators sourced from third parties to address the current lack of data for certain PAI indicators. The Investment Adviser's use of proxy indicators will be kept under review and will be replaced by PAI data from third-party data providers, when the Investment Adviser determines that sufficiently reliable data has become available.

The Investment Adviser generally conducts the PAI assessment at the issuer level. However, where appropriate the assessment may be done at the security level in whole or in part. For instance, in the case of Sustainable Bonds, as defined above, the PAI indicators that are directly related to the sustainability factors targeted by the bond's use of proceeds will be assessed at the security level, through the Investment Adviser's proprietary Sustainable Bond Evaluation Framework. As an example, the Fund may invest in a Green Bond issued by a utility company that has a negative assessment of the PAI indicators related to GHG emissions and/or GHG intensity, as long as the Investment Adviser evaluates that the issuer has a credible strategy to reduce its GHG emissions, and that the Green Bond specifically contributes towards such goal. Other PAI indicators that are unrelated to the Sustainable Bond's use of proceeds are still assessed at the issuer level.

The Fund's PAI assessment is supported, on a qualitative basis, by the Investment Adviser's engagement with selected issuers on their corporate governance practices, as well as on other material sustainability issues related to the SDGs, in line with the Investment Adviser's Fixed Income Engagement Strategy, available on [.com/im](#).

- *How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:*

The Fund’s sustainable investments exclude issuers which have experienced very severe controversies that are deemed to violate the UN Global Compact, the UN Guiding Principles on Business and Human Rights, or the ILO Fundamental Principles, and issuers with very severe controversies related to violations of the OECD Guidelines for Multinational Enterprises. This screening is done using third-party data.

*The EU Taxonomy sets out a “do not significant harm” principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.*

*The “do no significant harm” principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.*

*Any other sustainable investments must also not significantly harm any environmental or social objectives.*

Regulation requires that this document include these statements. However, for the avoidance of doubt, this Fund does not: (i) take into account the EU criteria for environmentally sustainable economic activities in the EU Taxonomy; or (ii) calculate its portfolio alignment with the EU Taxonomy. As such, the Fund is 0% aligned with the EU Taxonomy. The “do no significant harm” principle applies only to the portion of the Fund’s investments that are sustainable investments.



### **Does this financial product consider principal adverse impacts on sustainability factors?**

- Yes  
 No

The Fund considers all of the mandatory PAI on sustainability factors which are relevant to the investment for the portion allocated to sustainable investments, as described above in response to the question, “How have the indicators for adverse impacts on sustainability factors been taken into account?”

The portion of the Fund that is not made of sustainable investments considers the PAI only in part through the Fund’s exclusionary criteria, as follows:

- The Fund excludes issuers which derive any revenue from thermal coal mining and extraction. The Fund therefore partly considers the PAI indicator 4: exposure to companies active in the fossil fuel sector.
- The Fund excludes issuers which derive any revenue from controversial weapons manufacturing or retail. The Fund therefore considers in whole the PAI indicator 14: exposure to controversial weapons.

The Fund will make information available on how it has incorporated the PAIs into the Fund in its periodic reports to investors.



### What investment strategy does this financial product follow?

**The investment strategy** guides investment decisions based on factors such as investment objectives and risk tolerance.

The Short Maturity Euro Corporate Bond Fund’s investment objective is to provide an attractive rate of relative return, measured in Euro. The Fund will invest, in order to reduce volatility, primarily in Euro denominated Fixed Income Securities, issued by corporations (“Corporate Bonds”) with maturity dates or call dates (whichever is earlier) having a maximum unexpired term of three (3) years, while reducing exposure to sustainability risks through exclusionary screening of selected fossil fuels and of activities which can cause dangers to human health and wellbeing.

In addition to the ESG considerations described in this summary on a binding basis, the Fund integrates ESG considerations in the investment decision-making process to support its environmental and social characteristics on a non-binding basis, based on the Investment Adviser’s in-house research and methodologies and on third-party data.

The investment process is subject to regular review, as part of a control and monitoring framework implemented by the Investment Adviser. The Investment Adviser’s Compliance, Risk and Portfolio Surveillance teams collaborate with the investment team to conduct regular portfolio/performance reviews and systemic checks to ensure compliance with portfolio investment objectives and environmental and social characteristics, taking into account changing market conditions, information and strategy developments.

● **What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?**

The binding elements of the investment strategy are described in the table below.

The criteria are implemented and monitored by the Investment Adviser using a combination of third-party data and in-house research.

Binding criteria	
<p><b>The Fund will not invest in corporate issuers which:</b></p>	<p><b><u>Derive any revenue from any of the following activities:</u></b></p> <ul style="list-style-type: none"> <li>• Controversial weapons manufacturing or retail (anti-personnel landmines, cluster munitions, biological or chemical weapons, and nuclear weapons);</li> <li>• Civilian firearms manufacturing or retail;</li> <li>• Tobacco manufacturing; or</li> </ul> <p><b><u>Derive more than 5% revenue from any of the following activities:</u></b></p> <ul style="list-style-type: none"> <li>• Thermal coal mining and extraction. The Fund may, as an exception, invest in labelled Sustainable Bonds issued by fossil fuel companies, which are intended to raise proceeds</li> </ul>



	specifically for projects that promote positive environmental contributions mitigating the adverse sustainability impact of coal, such as renewable energy or energy efficiency, based on information available in the bond issuance documentation.
<b>Sustainable investments</b>	The Fund will maintain a minimum of 40% of sustainable investments, which meet the criteria as set out in response to the question, “ <i>What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?</i> ”

The Investment Adviser may decide to implement additional restrictions to the Fund, and such new restrictions will be disclosed in the Fund’s SFDR Website Disclosure.

**Good governance** practices include sound management structures, employee relations, remuneration of staff and tax compliance.

● ***What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?***

The Fund does not target a specific reduction rate of the scope of investments.

● ***What is the policy to assess good governance practices of the investee companies?***

As part of its bottom-up, fundamental research process, the Investment Adviser systematically incorporates the assessment of an issuer’s corporate governance and business practices, including but not limited to evidence of sound management structures and employee relations, fair remuneration of staff, and tax compliance, in order to ensure that every investee company follows good governance practices.

This is done through the monitoring of data on governance-related, as well as on other environmental and/or social factors and controversies, sourced from third party providers, through in-house research, and through engagement with the management of selected issuers on corporate governance and disclosure issues.

In addition, the Fund’s sustainable investments exclude any company that is involved in very severe governance-related controversies.



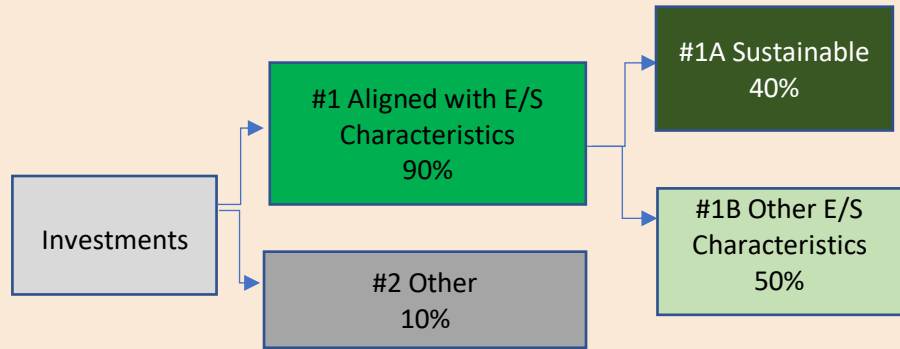
### Asset allocation

describes the share of investments in specific assets.

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.

## What is the asset allocation planned for this financial product?



**#1 Aligned with E/S characteristics** includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

**#2 Other** includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

The category **#1 Aligned with E/S characteristics** covers:

- The sub-category **#1A Sustainable** covers sustainable investments with environmental or social objectives.
- The sub-category **#1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.

The exclusions (as described above) will be applied to at least 90% of the portfolio, of which the Fund also expects to allocate a minimum of 40% of its assets to sustainable investments. Among these sustainable investments, the Fund commits to make a minimum of 1% of sustainable investments with an environmental objective and 1% of sustainable investments with a social objective which can both vary independently at any time.

A maximum of 10% of the Fund's assets may be invested in hedging and/or cash instruments for efficient portfolio management purposes, which do not align with any environmental or social characteristics.

These percentages are measured according to the value of the investments.

### ● **How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?**

Derivatives may be used by the Fund for investment or efficient portfolio management (including hedging) purposes only. These instruments are not used to attain the environmental or social characteristics of the Fund.



### **To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?**

Not applicable – the Investment Adviser does not take account of the EU Taxonomy in its management of the Fund and as such the Fund's sustainable investments do not take into account the criteria for environmentally sustainable economic activities under the EU Taxonomy.

To comply with EU Taxonomy, the criteria for **fossil gas** include limitations on emission and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

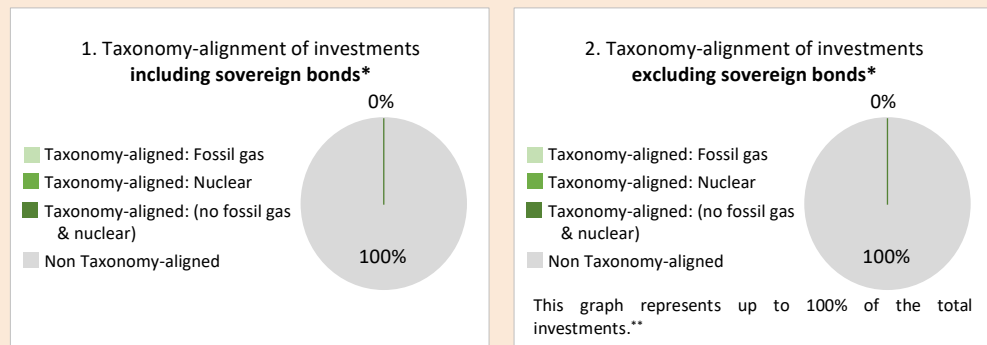
**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

**Transitional activities** are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

● **Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy<sup>1</sup>?**

- Yes:  
 In fossil gas     In nuclear energy  
 No

*The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.*



\* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures.

\*\*The proportion of total investments shown in this graph is purely indicative and may vary over time. As the Fund does not commit to making sustainable investments aligned with the EU Taxonomy, the proportion of any sovereign exposure in the Fund's portfolio will not impact the proportion of sustainable investments aligned with the EU Taxonomy included in the graph.

● **What is the minimum share of investments in transitional and enabling activities?**

Not applicable - Although the Fund commits to invest in sustainable investments within the meaning of the SFDR, there is no commitment to a minimum share of investments in transitional and enabling activities.

<sup>1</sup> Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objective – see explanatory note in the left-hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.



are sustainable investments with an environmental objective that **do not take into account** the criteria for environmentally sustainable economic activities under the EU Taxonomy.

### What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?

The Fund intends to make a minimum of 40% sustainable investments, as defined under the SFDR, with a combination of environmental and social objectives, as described above. Among these, the Fund commits to make a minimum of 1% of sustainable investments with an environmental objective and 1% of sustainable investments with a social objective which can both vary independently at any time. These sustainable investments will represent at least 40% of the portfolio holdings on an aggregated basis.

The Fund's sustainable investments with an environmental objective **do not take into account the criteria** for environmentally sustainable economic activities under the EU Taxonomy.

Although some of these sustainable investments may be Taxonomy aligned, due to lack of available data regarding the Taxonomy alignment of the underlying securities, the Investment Adviser has not been able to confirm whether these investments are in fact Taxonomy aligned and accordingly will not consider them as such in calculations until this data is reported on or otherwise becomes more reliable. As such, the Investment Adviser uses its own methodology to determine whether certain investments are sustainable in accordance with the SFDR sustainable investment definition, and then invests in such assets for the Fund.



### What is the minimum share of socially sustainable investments?

As explained above, the Fund may make sustainable investments which contribute to either environmental or social objectives. Among these, the Fund commits to make a minimum of 1% of sustainable investments with an environmental objective and 1% of sustainable investments with a social objective which can both vary independently at any time. These sustainable investments will represent at least 40% of the portfolio holdings on an aggregated basis.



### What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?

The Fund may have investments in hedging instruments for efficient portfolio management and in cash as ancillary liquidity. These instruments are included in the “#2 Other” category and are not subject to environmental and/or social screening or any minimum environmental or social safeguards.



### Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?

Not applicable

**Reference benchmarks** are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.



## Where can I find more product specific information online?

More product-specific information can be found on the website:

[https://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite\\_msinvf\\_shortmaturityeurocorporatebond\\_en.pdf](https://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite_msinvf_shortmaturityeurocorporatebond_en.pdf)

**Pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852**

**Product name:**

Sustainable Euro Corporate Bond Fund

**Legal entity identifier:**

549300GCM5BJ69ZMX437

## Environmental and/or social characteristics

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**.

That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

Does this financial product have a sustainable investment objective?	
●● <input type="checkbox"/> Yes	●● <input checked="" type="checkbox"/> No
<input type="checkbox"/> It will make a minimum of <b>sustainable investments with an environmental objective: ___%</b> <ul style="list-style-type: none"> <li><input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> </ul> <input type="checkbox"/> It will make a minimum of <b>sustainable investments with a social objective: ___%</b>	<input checked="" type="checkbox"/> It <b>promotes Environmental/Social (E/S) characteristics</b> and while it does not have as its objective a sustainable investment, it will have a minimum proportion of <u>60</u> % of sustainable investments <ul style="list-style-type: none"> <li><input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input checked="" type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> <li><input checked="" type="checkbox"/> with a social objective</li> </ul> <input type="checkbox"/> It promotes E/S characteristics, but <b>will not make any sustainable investments</b>



## What environmental and/or social characteristics are promoted by this financial product?

The Fund promotes the following environmental and social characteristics:

- **Low carbon intensity and net zero target:** The Fund seeks to promote the environmental characteristic of climate change mitigation by:
  - Maintaining a lower carbon intensity than the Bloomberg Euro Aggregate Corporate index; and
  - Aiming to achieve net zero emissions at the portfolio-level for corporate investments by 2050. As an interim target for net zero, the Fund aims to halve its carbon intensity by year-end 2030, compared to year-end 2020.
- **Exclusions:** The Fund promotes the environmental characteristic of climate change mitigation by excluding investments in certain types of fossil fuels. In addition, the Fund promotes the social characteristic of avoiding investments in activities which can cause harm to human health and wellbeing. Further detail on the nature of these exclusions is set out below (in response to the question, “*What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?*”).
- **Best-in-class ESG tilts:** The Fund also seeks to invest in companies that it considers to be best-in-class on ESG matters, based on relative or absolute proprietary ESG scores calculated by the Investment Adviser, and in doing so, it seeks to promote environmental and social themes such as, but not limited to climate change mitigation, responsible use of natural resources, sustainable waste management, inclusive human capital management, and gender equality.
- **Sustainable Investments:** The Fund aims to make a minimum of 60% sustainable investments in:
  - Corporate issuers whose business practices, products or solutions, make a net positive contribution towards the United Nations’ Sustainable Development Goals (“**SDGs**”); or
  - Sustainable Bonds, from any type of issuer, which make a positive environmental or social contribution through their use of proceeds, as explained in response to the question below, “*What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?*”.

The Fund has not designated a reference benchmark for the purpose of attaining its environmental or social characteristics.

### • What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?

The following sustainability indicators are used to measure the attainment of the Fund’s environmental and social characteristics:

Binding environmental and social characteristic	Indicator	Methodology
Lower carbon intensity than the corporate portion of the Bloomberg Euro Aggregate Corporate index	Weighted Average Carbon Intensity (“ <b>WACI</b> ”: tons CO <sub>2</sub> e./US\$ million revenue)	The Fund’s WACI is measured in terms of Scope 1 and 2 emissions, in tons of CO <sub>2</sub> equivalent, normalised by a company’s US\$ million revenues, based on third-party data, and weighted based on the Fund’s corporate bond holdings.

**Sustainability indicators** measure how the environmental or social characteristics promoted by the financial product are attained.

Net zero emissions by 2050, and carbon intensity halved by 2030 for corporate investments	Fund's year-end decarbonisation rate against baseline	Measured as the annual reduction rate in the Fund's WACI (Scope 1 and 2 tons CO <sub>2</sub> e/US\$ million revenue) at year-end at a portfolio level for corporate investments. The baseline is calculated as of December 31, 2020. While the attainment of the binding environmental characteristic will be assessed as of year-end 2030 and year-end 2050, progress will be monitored and reported on an annual basis.
Exclusions	Fund's exposure to issuers that violate any of the exclusion criteria	Measured in terms of the Fund's percentage market value invested in such securities.
Best-in-class ESG tilt for corporates	ESG Corporate Score (1-10, 10 best)	The score is based on the Investment Adviser's proprietary ESG scoring methodology.

● ***What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?***

The Fund's sustainable investments will fall within one of the following categories:

- Green, Social or Sustainability Bonds ("Sustainable Bonds"), as labelled in the securities' documentation, where the issuer commits to allocate the proceeds to projects making a positive environmental or social contribution. This includes, but is not limited to, bonds that align with the International Capital Market Association (ICMA)'s Green Bond Principles, Social Bond Principles, and Sustainability Bond Guidelines, and bonds which have been assessed through the Investment Adviser's proprietary Sustainable Bond evaluation framework. Sustainable Bonds mobilise financing directly towards a multiplicity of environmental and social projects whose focus spans across a number of sustainability objectives. Examples include, but are not limited to, financing for renewable energy, energy efficiency, clean transportation, affordable housing, and financial inclusion projects. The specific objectives to which the Sustainable Bonds contribute depend on the eligible environmental and social project categories of each security.
- Bonds from corporate issuers whose business practices, products or solutions, make a net positive contribution towards the SDGs. The SDGs were adopted by the United Nations in 2015 as a universal call to action to end poverty, protect the planet and ensure that by 2030 all people enjoy peace and prosperity. The Investment Adviser defines positive contribution to the SDGs as a net positive aggregate alignment score across all the SDGs (i.e., scores measuring positive contribution to individual SDGs have to, in total, be greater than the total of any negative contribution scores), based on third-party data. The Investment Adviser will also only include issuers which have sufficient positive SDG alignment (in the Investment Adviser's view) with at least one individual SDG, and which do not have any material mis-alignments (in the Investment Adviser's view) on any of the SDGs.



**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

● ***How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?***

The Fund's sustainable investments aim not to cause significant harm to any environmental or social objective by avoiding investments in issuers that violate minimum social safeguards and by excluding issuers which breach thresholds set for the principal adverse impact ("PAI") indicators which the Investment Adviser is required to consider by the EU Sustainable Finance Disclosure Regulation ("SFDR") rules, and which are relevant to the investment.

This assessment is conducted using in-house proprietary as well as third-party research on the sustainability characteristics of the Fund's holdings.

– ***How have the indicators for adverse impacts on sustainability factors been taken into account?***

The "do no significant harm" methodology applied by the Investment Adviser on sustainable investments seeks to exclude investments that cause harm to any of the PAI indicators (listed below) which are mandatory for the Investment Adviser to consider under the EU SFDR rules, and which are relevant to the investment.

PAI indicators:

**Investee companies**

1. GHG emissions
2. Carbon Footprint
3. GHG intensity of investee companies
4. Exposure to companies active in the fossil sector
5. Share of non-renewable energy consumption and production
6. Energy consumption intensity per high impact climate sector
7. Activities negatively affecting biodiversity sensitive areas
8. Emissions to water
9. Hazardous waste ratio
10. Violations of UN Global Compact and OECD
11. Lack of processes and compliance mechanisms to monitor compliance with the UNGC and OECD
12. Unadjusted gender pay gap
13. Board gender diversity
14. Exposure to controversial weapons

The Investment Adviser has determined specific metrics and quantitative thresholds for what constitutes significant harm to screen PAI indicators that are relevant to the investment, using third-party data as well as in-house research. The thresholds are set: (i) on an absolute value basis; (ii) on a relative basis in the context of the investment universe; or (iii) using pass/fail scores. Different metrics or thresholds may apply to issuers located in developed markets and in emerging markets, respectively. This is intended to reflect the different extent to which the Investment Adviser deems that meeting minimum sustainability standards in these markets is currently achievable. In addition, different relative thresholds may apply to similar indicators: for example, the Investment Adviser currently applies a lower threshold to determine significant adverse impact with respect to scope 3 emissions intensity compared to scope 1 and 2 emissions intensity. This is because: (i) companies have less control over their indirect emissions; and (ii) data estimates for scope 3 emissions, which currently prevail over reported data compared to scope 1 and 2 emissions, may result in a less accurate PAI assessment.

The Investment Adviser may use reasonable proxy indicators sourced from third parties to address the current lack of data for certain PAI indicators. The Investment Adviser's use of proxy indicators will be kept under review and will be replaced by data from third-party data providers, when the Investment Adviser determines that sufficiently reliable data has become available.

The Investment Adviser generally conducts the PAI assessment at the issuer level. However, where appropriate the assessment may be done at security level in whole or in part. For instance, in the case of Sustainable Bonds, as defined above, the PAI indicators that are directly related to the sustainability factors targeted by the bond's use of proceeds will be assessed at the security level, through the Investment Adviser's proprietary Sustainable Bond Evaluation Framework. As an example, the Fund may invest in a Green Bond issued by a utility company that has a negative assessment under the PAI indicators related to GHG emissions and/or GHG intensity, as long as the Investment Adviser evaluates that the issuer has a credible strategy to reduce its GHG emissions, and that the Green Bond specifically contributes towards such goal. Other PAI indicators that are unrelated to the Sustainable Bond's use of proceeds are still assessed at the issuer level.

The Fund's PAI assessment is supported, on a qualitative basis, by the Investment Adviser's engagement with selected issuers on their corporate governance practices, as well as on other material sustainability issues related to the SDGs, in line with the Investment Adviser's Fixed Income Engagement Strategy, available on [www.morganstanley.com/im](http://www.morganstanley.com/im).

- *How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:*

The Fund excludes from the entirety of the portfolio issuers which have experienced very severe controversies that are deemed to violate the UN Global Compact, the UN Guiding Principles on Business and Human Rights, or the ILO Fundamental Principles, and issuers with very severe controversies related to violations of the OECD Guidelines for Multinational Enterprises. This screening is done using third-party data.

*The EU Taxonomy sets out a "do not significant harm" principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.*

*The "do no significant harm" principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.*

*Any other sustainable investments must also not significantly harm any environmental or social objectives.*

Regulation requires that this document include these statements. However, for the avoidance of doubt, this Fund does not: (i) take into account the EU criteria for environmentally sustainable economic activities in the EU Taxonomy; or (ii) calculate its portfolio alignment with the EU Taxonomy. As such, the Fund is 0% aligned with the EU Taxonomy. The "do no significant harm" principle applies only to the portion of the Fund's investments that are sustainable investments.



## Does this financial product consider principal adverse impacts on sustainability factors?

- Yes  
 No

The Fund considers all of the mandatory PAI on sustainability factors which are relevant to the investment for the portion allocated to sustainable investments, as described above in response to the question, “How have the indicators for adverse impacts on sustainability factors been taken into account?”

The portion of the Fund that is not made of sustainable investments considers the PAI only in part through the Fund’s exclusionary criteria as follows:

- The Fund excludes issuers which derive any revenue from thermal coal mining and extraction. The Fund therefore partly considers the PAI indicator 4: exposure to companies active in the fossil fuel sector.
- The Fund excludes issuers which derive any revenue from controversial weapons manufacturing or retail. The Fund therefore considers in whole the PAI indicator 14: exposure to controversial weapons.
- The Fund excludes issuers which have committed violations of the UN Global Compact, the UN Guiding Principles on Business and Human Rights, or the ILO Fundamental Principles, or which have experienced very severe controversies relating to violations of the OECD Guidelines for Multinational Enterprises. The Fund therefore considers in whole the PAI indicator 10: violations of UN Global Compact principles and OECD Guidelines for Multinational Enterprises.

The Fund will make information available on how it has incorporated the PAIs into the Fund in its periodic reports to investors.



## What investment strategy does this financial product follow?

**The investment strategy** guides investment decisions based on factors such as investment objectives and risk tolerance.

The Fund aims to provide an attractive rate of relative return, measured in Euro, through investments primarily in Euro denominated Fixed Income Securities, issued by corporations and other non-government related issuers (“Corporate Bonds”), while reducing exposure to sustainability risks through exclusionary screening, tilting the portfolio in favour of best-in-class ESG-scored issuers, maintaining a lower carbon intensity than the corporate portion of the reference benchmark, and aiming to achieve portfolio-level net zero emissions for corporate investments by 2050.

In addition to the ESG considerations described in this summary on a binding basis, the Fund integrates ESG considerations in the investment decision-making process to support its environmental and social characteristics on a non-binding basis, based on the Investment Adviser’s in-house research and methodologies and on third-party data.

The investment process is subject to regular review, as part of a control and monitoring framework implemented by the Investment Adviser. The Investment Adviser’s Compliance, Risk and Portfolio Surveillance teams collaborate with the investment team to conduct regular portfolio/performance reviews and systemic checks to ensure compliance with portfolio investment objectives and environmental and social characteristics, taking into account changing market conditions, information and strategy developments.

- **What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?**

The binding elements of the investment strategy are described in the table below.

The criteria are implemented and monitored by the Investment Adviser using a combination of third-party data and in-house research.

<b>Binding criteria</b>	
<b>Low carbon intensity</b>	The Fund's corporate investments will maintain a lower carbon intensity than the corporate component of the Bloomberg Euro Aggregate Corporate index, as measured by the Weighted Average Carbon Intensity (WACI): Scope 1 and 2 tons CO <sub>2</sub> e./US\$ million Sales, weighted by portfolio holdings.
<b>Net zero</b>	<p>The Fund aims to achieve net zero emissions by 2050 at the portfolio level for all corporate investments, measured through the WACI metric. As an interim target for net zero, the Fund aims to halve its WACI at the portfolio level for all corporate investments by year-end 2030, compared to year-end 2020. While the binding elements of this environmental characteristic refer to the years 2030 and 2050, the Investment Adviser aims to pursue a yearly decarbonisation pathway to achieve those longer-term targets. This pathway will be monitored and reported on an annual basis, using the sustainability indicator described above in response to the question, "What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?".</p> <p>If the portfolio of corporate investments does not meet its yearly decarbonisation pathway target for WACI in a given year, the Investment Adviser would aim to decrease WACI at a larger rate the following year, such that the Fund will still aim to meet its binding commitments for 2030 and 2050.</p>
<b>The Fund will not invest in corporate issuers which:</b>	<p><b><u>Derive any revenue from any of the following activities:</u></b></p> <ul style="list-style-type: none"> <li>• Thermal coal mining and extraction;*</li> <li>• Controversial weapons manufacturing or retail (anti-personnel landmines, cluster munitions, biological or chemical weapons, and nuclear weapons);</li> <li>• Civilian firearms manufacturing or retail;</li> <li>• Tobacco manufacturing;</li> </ul> <p><b><u>Derive more than 5% revenue from any of the following activities:</u></b></p> <ul style="list-style-type: none"> <li>• Oil sands extraction;*</li> <li>• Arctic oil and gas production*;</li> </ul> <p><b><u>Derive more than 10% revenue from the following activities:</u></b></p> <ul style="list-style-type: none"> <li>• Coal-fired power generation;*</li> <li>• Gambling;</li> <li>• Tobacco retail and distribution;</li> <li>• Adult entertainment; or</li> </ul> <p><b><u>Violate any of the following norm-based exclusions:</u></b></p> <ul style="list-style-type: none"> <li>• Are deemed to have violated the UN Global Compact;</li> <li>• Are deemed to have violated the UN Guiding Principles on Business and Human Rights;</li> <li>• Are deemed to have violated the ILO Fundamental Principles; or</li> <li>• Have experienced very severe ESG-related controversies, including in relation to violations of the OECD Guidelines for Multinational Enterprises.</li> </ul> <p>*The Fund may, as an exception from the starred bullet points above, invest in labelled Sustainable Bonds issued by fossil fuel companies, which are intended to raise proceeds specifically for projects that</p>

	promote positive environmental contributions mitigating the adverse sustainability impact of coal, such as renewable energy or energy efficiency, based on information available in the bond issuance documentation.
<b>Best-in-class ESG tilts</b>	<p><b>Corporate issuers:</b></p> <p>The Investment Adviser will score every corporate issuer for which underlying data inputs are available, using an ESG Corporate Score. The Fund will only invest in the top 80% of ESG-scoring corporate issuers in each corporate sub-sector, according to the Bloomberg Global Sector Classification Scheme.</p> <p>The ESG Corporate Score is a proprietary score determined by the Investment Adviser, using third-party data inputs, having regard to material ESG factors determined on a sector-by-sector basis, which include, but are not limited to: reduction in carbon and other toxic emissions, opportunities in low carbon technologies or financing, responsible use of natural resources, sustainable waste management, inclusive human capital management, gender equality, business ethics and corporate governance practices.</p> <p>Additional details on the Investment Adviser’s ESG scoring methodologies are available on <a href="http://www.morganstanley.com/im">www.morganstanley.com/im</a>.</p>
<b>Sustainable investments</b>	The Fund will maintain a minimum of 60% of sustainable investments, which meet the criteria as set out in response to the question, “ <i>What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?</i> ”.

The Investment Adviser may decide to implement additional restrictions to the Fund, and such new restrictions will be disclosed in the Fund’s SFDR Website Disclosure.

**Good governance** practices include sound management structures, employee relations, remuneration of staff and tax compliance.

● ***What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?***

The Fund seeks to achieve a minimum reduction rate of 20% of the scope of investments as a result of the exclusions and best-in-class ESG tilts.

● ***What is the policy to assess good governance practices of the investee companies?***

As part of its bottom-up, fundamental research process, the Investment Adviser systematically incorporates the assessment of an issuer’s corporate governance and business practices, including but not limited to evidence of sound management structures and employee relations, fair remuneration of staff, and tax compliance, in order to ensure that every investee company follows good governance practices.

This is done through the monitoring of data on governance-related, as well as on other environmental and/or social factors and controversies, sourced from third party providers, through in-house research, and through engagement with the management of selected issuers on corporate governance and disclosure issues.

In addition, the Fund’s sustainable investments exclude any company that is involved in very severe governance-related controversies.



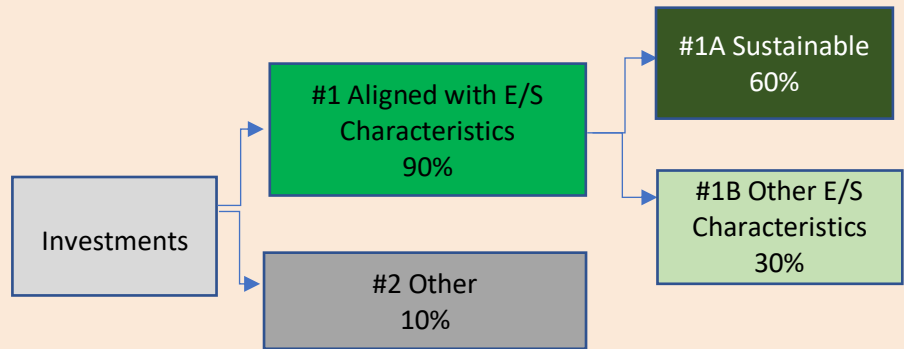
### Asset allocation

describes the share of investments in specific assets.

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.

## What is the asset allocation planned for this financial product?



**#1 Aligned with E/S characteristics** includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

**#2 Other** includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

The category **#1 Aligned with E/S characteristics** covers:

- The sub-category **#1A Sustainable** covers sustainable investments with environmental or social objectives.
- The sub-category **#1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.

The low carbon intensity and net zero characteristics, exclusions and best-in-class ESG tilts (as described above) will be applied to at least 90% of the portfolio, however the Fund also expects to allocate a minimum of 60% of its assets to sustainable investments. Among these sustainable investments, the Fund commits to make a minimum of 1% of sustainable investments with an environmental objective and 1% of sustainable investments with a social objective which can both vary independently at any time.

As explained above, the low carbon intensity and net zero characteristics are applied at a portfolio level (and not at the level of individual holdings, some of which may on an individual basis have a higher carbon intensity than the portfolio level average or target).

A maximum of 10% of the Fund's assets may be invested in hedging and/or cash instruments for efficient portfolio management purposes, which do not align with any environmental or social characteristics.

As explained above, any investments that are held by the Fund but become restricted because they breach the investment exclusions set out above, after they are acquired for the Fund, will be sold. Such sales will take place over a period of time to be determined by the Investment Adviser, taking into account the best interests of the shareholders of the Fund are included in "#2 Other".

These percentages are measured according to the value of the investments.

- ***How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?***

Derivatives may be used by the Fund for investment or efficient portfolio management (including hedging) purposes only. These instruments are not used to attain the environmental or social characteristics of the Fund.



- **To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?**

Not applicable – the Investment Adviser does not take account of the EU Taxonomy in its management of the Fund and as such the Fund's sustainable investments do not take into account the criteria for environmentally sustainable economic activities under the EU Taxonomy.

- **Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy<sup>1</sup>?**

- Yes:
- In fossil gas     In nuclear energy
- No

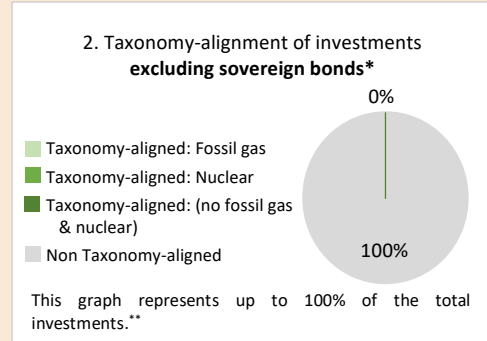
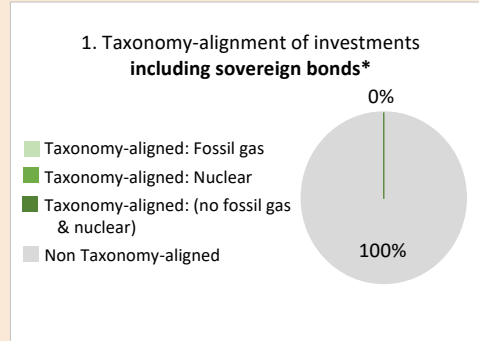
<sup>1</sup> Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objective – see explanatory note in the left-hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

To comply with EU Taxonomy, the criteria for **fossil gas** include limitations on emission and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

**Transitional activities** are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

*The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.*



\* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures.

\*\*The proportion of total investments shown in this graph is purely indicative and may vary over time. As the Fund does not commit to making sustainable investments aligned with the EU Taxonomy, the proportion of any sovereign exposure in the Fund's portfolio will not impact the proportion of sustainable investments aligned with the EU Taxonomy included in the graph.

● **What is the minimum share of investments in transitional and enabling activities?**

Not applicable - Although the Fund commits to invest in sustainable investments within the meaning of the SFDR, there is no commitment to a minimum share of investments in transitional and enabling activities.



**What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?**

The Fund intends to make a minimum of 60% sustainable investments, as defined under the SFDR, with a combination of environmental and social objectives, as described above. Among these, the Fund commits to make a minimum of 1% of sustainable investments with an environmental objective and 1% of sustainable investments with a social objective which can both vary independently at any time. These sustainable investments will represent at least 60% of the portfolio holdings on an aggregated basis.

The Fund's sustainable investments with an environmental objective **do not take into account the criteria** for environmentally sustainable economic activities under the EU Taxonomy.

Although some of these sustainable investments may be Taxonomy aligned, due to lack of available data regarding the Taxonomy alignment of the underlying securities, the Investment Adviser has not been able to confirm whether these investments are in fact Taxonomy aligned and accordingly will not consider them as such in calculations until this data is reported on or otherwise becomes more reliable. As such, the Investment Adviser uses its own methodology to determine whether certain investments are sustainable in accordance with the SFDR sustainable investment test, and then invests in such assets for the Fund.

The Fund's sustainable investments with an environmental objective **do not take into account the criteria** for environmentally sustainable economic activities under the EU Taxonomy.



are sustainable investments with an environmental objective that **do not take into account** the criteria for environmentally sustainable economic activities under the EU Taxonomy.



Although some of these sustainable investments may be Taxonomy aligned, due to lack of available data regarding the Taxonomy alignment of the underlying securities, the Investment Adviser has not been able to confirm whether these investments are in fact Taxonomy aligned and accordingly will not consider them as such in calculations until this data is reported on or otherwise becomes more reliable. As such, the Investment Adviser uses its own methodology to determine whether certain investments are sustainable in accordance with the SFDR sustainable investment definition, and then invests in such assets for the Fund.



### What is the minimum share of socially sustainable investments?

As explained above, the Fund may make sustainable investments which contribute to either environmental or social objectives. Among these, the Fund commits to make a minimum of 1% of sustainable investments with an environmental objective and 1% of sustainable investments with a social objective which can both vary independently at any time. These sustainable investments will represent at least 60% of the portfolio holdings on an aggregated basis.



### What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?

The Fund may have investments in hedging instruments for efficient portfolio management and in cash as ancillary liquidity. These instruments are included in the “#2 Other” category and are not subject to environmental and/or social screening or any minimum environmental or social safeguards.



### Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?

Not applicable

**Reference benchmarks** are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.



### Where can I find more product specific information online?

More product-specific information can be found on the website:

[https://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite\\_msinvf\\_sustainableeurocorporatebond\\_en.pdf](https://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite_msinvf_sustainableeurocorporatebond_en.pdf)

**Pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852**

**Product name:**

Sustainable Euro Strategic Bond Fund

**Legal entity identifier:**

5493001NHR60KNHKPZ06

## Environmental and/or social characteristics

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**.

That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

**Does this financial product have a sustainable investment objective?**

**Yes**

**No**

It will make a minimum of **sustainable investments with an environmental objective: \_\_\_%**

in economic activities that qualify as environmentally sustainable under the EU Taxonomy

in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

It will make a minimum of **sustainable investments with a social objective: \_\_\_%**

It **promotes Environmental/Social (E/S) characteristics** and while it does not have as its objective a sustainable investment, it will have a minimum proportion of 50% of sustainable investments

with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy

with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

with a social objective

It promotes E/S characteristics, but **will not make any sustainable investments**



## What environmental and/or social characteristics are promoted by this financial product?

The Fund promotes the following environmental and social characteristics:

- **Low carbon intensity and net zero target:** The Fund seeks to promote the environmental characteristic of climate change mitigation by:
  - Maintaining a lower carbon intensity than the corporate portion of the Bloomberg Euro Aggregate index; and
  - Aiming to achieve net zero emissions at the portfolio-level for corporate investments by 2050. As an interim target for net zero, the Fund aims to halve its carbon intensity by year-end 2030, compared to year-end 2020.
- **Exclusions:** The Fund promotes the environmental characteristic of climate change mitigation by excluding investments in certain types of fossil fuels. In addition, the Fund promotes the social characteristic of avoiding investments in activities which can cause harm to human health and wellbeing, in sovereign issuers that significantly violate social rights, and in securitisations that violate responsible business or lending practices. Further detail on the nature of these exclusions is set out below (in response to the question, “*What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?*”).
- **Best-in-class ESG tilts:** The Fund also seeks to invest in companies, sovereigns and securitisations that it considers to be best-in-class on ESG matters, based on relative or absolute proprietary ESG scores calculated by the Investment Adviser, and in doing so, it seeks to promote environmental and social themes such as, but not limited to the following:
  - Climate change mitigation, responsible use of natural resources, sustainable waste management, inclusive human capital management, and gender equality, for corporate issuers;
  - Climate change mitigation and adaptation, and human economic welfare standards, for sovereign issuers;
  - Energy efficiency, inclusive and affordable lending, for securitisations.
- **Sustainable Investments:** The Fund aims to make a minimum of 50% sustainable investments in:
  - Corporate issuers whose business practices, products or solutions, make a net positive contribution towards the United Nations’ Sustainable Development Goals (“**SDGs**”);
  - Sovereign issuers with ESG scores in the top-2 ranks according to the Investment Adviser’s proprietary scoring methodology, associated with positive environmental or social attributes; or
  - Sustainable Bonds, from any type of issuer, which make a positive environmental or social contribution through their use of proceeds, as explained in response to the question below, “*What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?*”.

The Fund has not designated a reference benchmark for the purpose of attaining its environmental or social characteristics.

### Sustainability

**indicators** measure how the environmental or social characteristics promoted by the financial product are attained.

- ***What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?***

The following sustainability indicators are used to measure the attainment of the Fund’s environmental and social characteristics:

<b>Binding environmental and social characteristic</b>	<b>Indicator</b>	<b>Methodology</b>
Lower carbon intensity than the corporate portion of the Bloomberg Euro Aggregate Index  Net zero emissions by 2050, and carbon intensity halved by 2030 for corporate investments	Weighted Average Carbon Intensity (“ <b>WACI</b> ”: tons CO2e./US\$ million revenue)  Fund’s year-end decarbonisation rate against baseline	The Fund’s WACI is measured in terms of Scope 1 and 2 emissions, in tons of CO2 equivalent, normalised by a company’s US\$ million revenues, based on third-party data, and weighted based on the Fund’s corporate bond holdings. Measured as the annual reduction rate in the Fund’s WACI (Scope 1 and 2 tons CO2e./US\$ million revenue) at year-end at a portfolio level for corporate investments. The baseline is calculated as of December 31, 2020. While the attainment of the binding environmental characteristic will be assessed as of year-end 2030 and year-end 2050, progress will be monitored and reported on an annual basis.
Exclusions	Fund’s exposure to issuers that violate any of the exclusion criteria	Measured in terms of the Fund’s percentage market value invested in such securities.
Best-in-class ESG tilt for corporates	ESG Corporate Score (1-10, 10 best)	The score is based on the Investment Adviser’s proprietary ESG scoring methodology.
Best-in-class ESG tilt for sovereigns	ESG Sovereign Score (1-5, 5 is best)	The score is based on the Investment Adviser’s proprietary ESG scoring methodology.
Best-in-class ESG tilt for securitisations	ESG Securitisation Score (1-5, 5 is best)	The score is based on the Investment Adviser’s proprietary ESG scoring methodology.

● ***What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?***

The Fund’s sustainable investments will fall within one of the following categories:

- Green, Social or Sustainability Bonds (“Sustainable Bonds”), as labelled in the securities’ documentation, where the issuer commits to allocate the proceeds to projects making a positive environmental or social contribution. This includes, but is not limited to, bonds that align with the International Capital Market Association (ICMA)’s Green Bond Principles, Social Bond Principles, and Sustainability Bond Guidelines, and bonds which have been assessed through the Investment Adviser’s proprietary Sustainable Bond evaluation framework. Sustainable Bonds mobilise financing directly towards a multiplicity of environmental and social projects whose focus spans across a number of sustainability objectives. Examples include, but are not limited to, financing for renewable energy, energy efficiency, clean transportation, affordable housing, and financial inclusion projects. The specific objectives to which the Sustainable Bonds contribute depend on the eligible environmental and social project categories of each security.
- Bonds from corporate issuers whose business practices, products or solutions, make a net positive contribution towards the SDGs. The SDGs were adopted by the United Nations in

2015 as a universal call to action to end poverty, protect the planet and ensure that by 2030 all people enjoy peace and prosperity. The Investment Adviser defines positive contribution to the SDGs as a net positive aggregate alignment score across all the SDGs (i.e., scores measuring positive contribution to individual SDGs have to, in total, be greater than the total of any negative contribution scores), based on third-party data. The Investment Adviser will also only include issuers which have sufficient positive SDG alignment (in the Investment Adviser's view) with at least one individual SDG, and which do not have any material misalignments (in the Investment Adviser's view) on any of the SDGs.

- Bonds from sovereign issuers with an ESG rank of 4 or 5, in a 1-5 range where 5 is best, based on the Investment Adviser's proprietary ESG scoring methodology. Ranks of 4 and 5 reflect a country's positive contribution towards environmental and social themes such as decarbonisation, forestry conservation, promotion of education, health and wellbeing, and good living standards. The Investment Adviser will, however, not treat the investment as sustainable if the sovereign issuer ranked 4 or 5 has experienced recent negative momentum as assessed through in-house research, which is not captured by ESG data providers. For example, if a country is facing significant political and/or social instability.

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

● ***How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?***

The Fund's sustainable investments aim not to cause significant harm to any environmental or social objective by avoiding investments in issuers that violate minimum social safeguards and by excluding issuers which breach thresholds set for the principal adverse impact ("PAI") indicators which the Investment Adviser is required to consider by the EU Sustainable Finance Disclosure Regulation ("SFDR") rules, and which are relevant to the investment.

This assessment is conducted using in-house proprietary as well as third-party research on the sustainability characteristics of the Fund's holdings.

– ***How have the indicators for adverse impacts on sustainability factors been taken into account?***

The "do no significant harm" methodology applied by the Investment Adviser on sustainable investments seeks to exclude investments that cause harm to any of the PAI indicators (listed below) which are mandatory for the Investment Adviser to consider under the EU SFDR rules, and which are relevant to the investment.

PAI indicators:

**Investee companies**

1. GHG emissions
2. Carbon Footprint
3. GHG intensity of investee companies
4. Exposure to companies active in the fossil sector
5. Share of non-renewable energy consumption and production
6. Energy consumption intensity per high impact climate sector
7. Activities negatively affecting biodiversity sensitive areas
8. Emissions to water
9. Hazardous waste ratio
10. Violations of UN Global Compact and OECD
11. Lack of processes and compliance mechanisms to monitor compliance with the UNGC and OECD
12. Unadjusted gender pay gap
13. Board gender diversity
14. Exposure to controversial weapons

## Sovereign

1. Sovereign GHG intensity
2. Investee countries subject to social violations

The Investment Adviser has determined specific metrics and quantitative thresholds for what constitutes significant harm to screen PAI indicators that are relevant to the investment, using third-party data as well as in-house research. The thresholds are set: (i) on an absolute value basis; (ii) on a relative basis in the context of the investment universe; or (iii) using pass/fail scores. Different metrics or thresholds may apply to issuers located in developed markets and in emerging markets, respectively. This is intended to reflect the different extent to which the Investment Adviser deems that meeting minimum sustainability standards in these markets is currently achievable. In addition, different relative thresholds may apply to similar indicators: for example, the Investment Adviser currently applies a lower threshold to determine significant adverse impact with respect to scope 3 emissions intensity compared to scope 1 and 2 emissions intensity. This is because: (i) companies have less control over their indirect emissions; and (ii) data estimates for scope 3 emissions, which currently prevail over reported data compared to scope 1 and 2 emissions, may result in a less accurate PAI assessment.

The Investment Adviser may use reasonable proxy indicators sourced from third parties to address the current lack of data for certain PAI indicators. The Investment Adviser's use of proxy indicators will be kept under review and will be replaced by data from third-party data providers, when the Investment Adviser determines that sufficiently reliable data has become available.

The Investment Adviser generally conducts the PAI assessment at the issuer level. However, where appropriate the assessment may be done at security level in whole or in part. For instance, in the case of Sustainable Bonds, as defined above, the PAI indicators that are directly related to the sustainability factors targeted by the bond's use of proceeds will be assessed at the security level, through the Investment Adviser's proprietary Sustainable Bond Evaluation Framework. As an example, the Fund may invest in a Green Bond issued by a utility company that has a negative assessment under the PAI indicators related to GHG emissions and/or GHG intensity, as long as the Investment Adviser evaluates that the issuer has a credible strategy to reduce its GHG emissions, and that the Green Bond specifically contributes towards such goal. Other PAI indicators that are unrelated to the Sustainable Bond's use of proceeds are still assessed at the issuer level.

The Fund's PAI assessment is supported, on a qualitative basis, by the Investment Adviser's engagement with selected issuers on their corporate governance practices, as well as on other material sustainability issues related to the SDGs, in line with the Investment Adviser's Fixed Income Engagement Strategy, available on [www.morganstanley.com/im](http://www.morganstanley.com/im).

- *How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:*

The Fund excludes from the entirety of the portfolio issuers which have experienced very severe controversies that are deemed to violate the UN Global Compact, the UN Guiding Principles on Business and Human Rights, or the ILO Fundamental Principles, and issuers with very severe controversies related to violations of the OECD Guidelines for Multinational Enterprises. This screening is done using third-party data.

*The EU Taxonomy sets out a “do not significant harm” principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.*

*The “do no significant harm” principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.*

*Any other sustainable investments must also not significantly harm any environmental or social objectives.*

Regulation requires that this document include these statements. However, for the avoidance of doubt, this Fund does not: (i) take into account the EU criteria for environmentally sustainable economic activities in the EU Taxonomy; or (ii) calculate its portfolio alignment with the EU Taxonomy. As such, the Fund is 0% aligned with the EU Taxonomy. The “do no significant harm” principle applies only to the portion of the Fund’s investments that are sustainable investments.



### Does this financial product consider principal adverse impacts on sustainability factors?

Yes

No

The Fund considers all of the mandatory PAI on sustainability factors which are relevant to the investment for the portion allocated to sustainable investments, as described above in response to the question, “How have the indicators for adverse impacts on sustainability factors been taken into account?”

The portion of the Fund that is not made of sustainable investments considers the PAI only in part through the Fund’s exclusionary criteria as follows:

- The Fund excludes issuers which derive any revenue from thermal coal mining and extraction. The Fund therefore partly considers the PAI indicator 4: exposure to companies active in the fossil fuel sector.
- The Fund excludes issuers which derive any revenue from controversial weapons manufacturing or retail. The Fund therefore considers in whole the PAI indicator 14: exposure to controversial weapons.
- The Fund excludes issuers which have committed violations of the UN Global Compact, the UN Guiding Principles on Business and Human Rights, or the ILO Fundamental Principles, or which have experienced very severe controversies relating to violations of the OECD Guidelines for Multinational Enterprises. The Fund therefore considers in whole the PAI indicator 10: violations of UN Global Compact principles and OECD Guidelines for Multinational Enterprises.
- The Fund excludes any sovereign issuers where there is evidence of them having caused significant harm from social violations, which the Investment Adviser defines in relation to the bottom-10% ranked countries on an indicator reflecting the fulfilment of social rights, as further explained in response to the question, “What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?”. The Fund therefore considers in part the PAI indicator 16: investee countries subject to social violations.

The Fund will make information available on how it has incorporated the PAIs into the Fund in its periodic reports to investors.



**The investment strategy** guides investment decisions based on factors such as investment objectives and risk tolerance.

## What investment strategy does this financial product follow?

The Fund aims to provide an attractive rate of relative return, measured in Euro, through investments primarily in Euro denominated Fixed Income Securities, issued by corporations, government or government guaranteed issuers, while reducing exposure to sustainability risks through exclusionary screening, tilting the portfolio in favour of best-in-class ESG-scored issuers, maintaining a lower carbon intensity than the corporate portion of the reference benchmark, and aiming to achieve portfolio-level net zero emissions for corporate investments by 2050.

In addition to the ESG considerations described in this summary on a binding basis, the Fund integrates ESG considerations in the investment decision-making process to support its environmental and social characteristics on a non-binding basis, based on the Investment Adviser's in-house research and methodologies and on third-party data.

The investment process is subject to regular review, as part of a control and monitoring framework implemented by the Investment Adviser. The Investment Adviser's Compliance, Risk and Portfolio Surveillance teams collaborate with the investment team to conduct regular portfolio/performance reviews and systemic checks to ensure compliance with portfolio investment objectives and environmental and social characteristics, taking into account changing market conditions, information and strategy developments.

● **What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?**

The binding elements of the investment strategy are described in the table below.

The criteria are implemented and monitored by the Investment Adviser using a combination of third-party data and in-house research.

Binding criteria	
<b>Low carbon intensity</b>	The Fund's corporate investments will maintain a lower carbon intensity than the corporate component of the Bloomberg Euro Aggregate index, as measured by the Weighted Average Carbon Intensity (WACI): Scope 1 and 2 tons CO <sub>2</sub> e./US\$ million Sales, weighted by portfolio holdings.
<b>Net zero</b>	<p>The Fund aims to achieve net zero emissions by 2050 at the portfolio level for all corporate investments, measured through the WACI metric. As an interim target for net zero, the Fund aims to halve its WACI at the portfolio level for all corporate investments by year-end 2030, compared to year-end 2020. While the binding elements of this environmental characteristic refer to the years 2030 and 2050, the Investment Adviser aims to pursue a yearly decarbonisation pathway to achieve those longer-term targets. This pathway will be monitored and reported on an annual basis, using the sustainability indicator described above in response to the question, "What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?"</p> <p>If the portfolio of corporate investments does not meet its yearly decarbonisation pathway target for WACI in a given year, the Investment Adviser would aim to decrease WACI at a larger rate the following year, such that the Fund will still aim to meet its binding commitments for 2030 and 2050.</p>



<p><b>The Fund will not invest in corporate issuers which:</b></p>	<p><b><u>Derive any revenue from any of the following activities:</u></b></p> <ul style="list-style-type: none"> <li>• Thermal coal mining and extraction;*</li> <li>• Controversial weapons manufacturing or retail (anti-personnel landmines, cluster munitions, biological or chemical weapons, and nuclear weapons);</li> <li>• Civilian firearms manufacturing or retail;</li> <li>• Tobacco manufacturing;</li> </ul> <p><b><u>Derive more than 5% revenue from any of the following activities:</u></b></p> <ul style="list-style-type: none"> <li>• Oil sands extraction;*</li> <li>• Arctic oil and gas production*;</li> </ul> <p><b><u>Derive more than 10% revenue from the following activities:</u></b></p> <ul style="list-style-type: none"> <li>• Coal-fired power generation;*</li> <li>• Gambling;</li> <li>• Tobacco retail and distribution;</li> <li>• Adult entertainment; or</li> </ul> <p><b><u>Violate any of the following norm-based exclusions:</u></b></p> <ul style="list-style-type: none"> <li>• Are deemed to have violated the UN Global Compact;</li> <li>• Are deemed to have violated the UN Guiding Principles on Business and Human Rights;</li> <li>• Are deemed to have violated the ILO Fundamental Principles; or</li> <li>• Have experienced very severe ESG-related controversies, including in relation to violations of the OECD Guidelines for Multinational Enterprises.</li> </ul> <p>*The Fund may, as an exception from the starred bullet points above, invest in labelled Sustainable Bonds issued by fossil fuel companies, which are intended to raise proceeds specifically for projects that promote positive environmental contributions mitigating the adverse sustainability impact of coal, such as renewable energy or energy efficiency, based on information available in the bond issuance documentation.</p>
<p><b>The Fund will not invest in sovereign issuers which:</b></p>	<p>Are in the bottom-10% ranked countries for social violations, based on the Investment Adviser's custom indicator.</p> <p>The social violations custom indicator is calculated by the Investment Adviser taking into consideration a country's performance on issues including, but not limited to, the application of human rights and civil liberties, the quality of contract enforcement and security, freedom of expression, association and free media, as assessed by underlying data from the World Bank.</p> <p>Investments that are held by the Fund but become restricted because they breach the investment exclusions set out above, after they are acquired for the Fund, will be sold. Such sales will take place over a period of time to be determined by the Investment Adviser, taking into account the best interests of the shareholders of the Fund.</p> <p>In addition, any investments in sovereign issuers exhibiting positive momentum with respect to such violations, shall not be subject to the purchase restriction. For example, if a country is in the process of making significant remediation efforts, such as through electoral or policy reforms and engagement with civil society, with regard to any social violations, the Investment Adviser may not exclude the investment from the Fund, provided this is kept under review by the Investment Adviser.</p>

<p><b>The Fund will not invest in securitisations in which:</b></p>	<ul style="list-style-type: none"> <li>• The underlying loans show evidence of predatory lending, as determined by the applicable usury laws, and in the context of market rates and borrower’s risk profile;*</li> <li>• The lender or servicer of the underlying assets has committed severe malpractice around payment collection or has unjustifiably aggressive foreclosure practices;</li> <li>• The lender or servicer of the underlying assets has committed a severe breach of consumer protection standards:             <ul style="list-style-type: none"> <li>○ as established by the Consumer Financial Protection Bureau (CFPB) in the United States; or</li> <li>○ as established by any relevant regulatory and supervisory agency in the jurisdiction where the securitisation’s originator and/or collateral are located;</li> </ul> <p>if the breach relates to the securitisation’s underlying collateral, underwriting and servicing practices, unless there is evidence of the breach having been or being remediated;** or</p> </li> <li>• The originator, lender or servicer has been involved in controversy cases related to business ethics and fraud that the Investment Adviser views as “Very Severe” based on data by relevant ESG data providers, and where the Investment Adviser considers appropriate remedial action has not been taken.</li> </ul> <p>* A loan is considered a predatory loan if:</p> <ul style="list-style-type: none"> <li>• Interest rates do not comply with U.S. usury laws or the equivalent in other jurisdictions; or</li> <li>• Interest rates being offered exceed a limit for which the Investment Adviser deems to be exceedingly higher than the industry standard. The Investment Adviser may choose to proceed with an investment where interest rates surpass this level if following enhanced due diligence (including through direct engagement with the lending team and/or servicing department on the securitisation deal), the Investment Adviser determines that access to the loan is still beneficial to the borrower when taking into consideration its risk profile and alternative borrowing options. The interest rate levels which are considered industry standard are subject to periodic review by the Investment Adviser, based on the prevailing market conditions and prevailing rates across the industry at the time.</li> </ul> <p>** This exclusion criterion does not apply to lenders or servicers of U.S. government sponsored mortgage-backed securities, as their compliance of such securitisations with local regulatory standards is already monitored by the U.S. government on an ongoing basis. Such investments will be considered to fall within “#1 Aligned with E/S characteristics”, in response to the question, “<i>What is the asset allocation planned for this financial product?</i>”</p>
<p><b>Best-in-class ESG tilts</b></p>	<p><b><u>Corporate issuers:</u></b></p> <p>The Investment Adviser will score every corporate issuer for which underlying data inputs are available, using an ESG Corporate Score. The Fund will only invest in the top 80% of ESG-scoring corporate issuers in each corporate sub-sector, according to the Bloomberg Global Sector Classification Scheme</p> <p>The ESG Corporate Score is a proprietary score determined by the Investment Adviser, using third-party data inputs, having regard to</p>

	<p>material ESG factors determined on a sector-by-sector basis, which include, but are not limited to: reduction in carbon and other toxic emissions, opportunities in low carbon technologies or financing, responsible use of natural resources, sustainable waste management, inclusive human capital management, gender equality, business ethics and corporate governance practices.</p> <p><b><u>Sovereign issuers:</u></b></p> <p>The Fund will only invest in the top-80% of ESG-scoring sovereign issuers in each income group (high-, middle-, low-income). Therefore, the Fund will only invest in sovereign issuers that rank 2 or above, in an ESG ranking range of 1-5 (where 5 is best) with homogeneous distribution.</p> <p>The ESG Sovereign Score is a proprietary score determined by the Investment Adviser, using data inputs from the Official Sector, NGOs and Academic Institutions, having regard to ESG factors including, but not limited to: carbon emissions management, climate vulnerability, forest management, human economic welfare standards, state governance and political stability. A country's performance on such ESG factors is measured relative to its income level peer group, through a panel regression model, and it is then converted into a rank from 1-5, where 5 is best. <u>Any investments in sovereign issuers ranking in the bottom-20% group but exhibiting positive momentum with respect to ESG factors, or in the form of labelled Sustainable Bonds, as defined above, shall not be subject to the purchase restriction.</u></p> <p><b><u>Securitisations:</u></b></p> <p>The Fund will only invest in securitisations which are rated 3, 4, 5 in an ESG score range of 1-5, where 5 is best. The distribution of ratings is not homogenous. A rating of 3 or greater than 3 signifies that the underlying assets of the securitisation demonstrate responsible lending practices. There is no minimum percentage of securitisations which must be excluded from the investment universe in order to meet this characteristic.</p> <p>The Investment Adviser assigns the ESG Securitised Score based on analysis of the nature of the underlying loan/asset, taking into account ESG considerations including, but not limited to: the environmental impact of the underlying properties in commercial mortgage-backed securities (e.g., industrial plants, waste and pollution) and in asset-backed securities (autos or aircraft emissions); the type of borrowers in residential mortgage-backed securities and consumer loan asset-backed securities (e.g., affordable lending to disadvantaged borrowers or to underserved demographics); and lending and collection practices of lenders and servicers.</p> <p>Additional details on the Investment Adviser's ESG scoring methodologies are available on <a href="http://www.morganstanley.com/im">www.morganstanley.com/im</a>.</p>
<b>Sustainable investments</b>	<p>The Fund will maintain a minimum of 50% of sustainable investments, which meet the criteria as set out in response to the question, <i>“What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?”</i>.</p>

The Investment Adviser may decide to implement additional restrictions to the Fund, and such new restrictions will be disclosed in the Fund's SFDR Website Disclosure.

**Good governance** practices include sound management structures, employee relations, remuneration of staff and tax compliance.

● ***What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?***

The Fund seeks to achieve a minimum reduction rate of 20% of the scope of investments as a result of the exclusions and best-in-class ESG tilts.

● ***What is the policy to assess good governance practices of the investee companies?***

As part of its bottom-up, fundamental research process, the Investment Adviser systematically incorporates the assessment of an issuer's corporate governance and business practices, including but not limited to evidence of sound management structures and employee relations, fair remuneration of staff, and tax compliance, in order to ensure that every investee company follows good governance practices.

This is done through the monitoring of data on governance-related, as well as on other environmental and/or social factors and controversies, sourced from third party providers, through in-house research, and through engagement with the management of selected issuers on corporate governance and disclosure issues.

In addition, the Fund's sustainable investments exclude any company that is involved in very severe governance-related controversies.



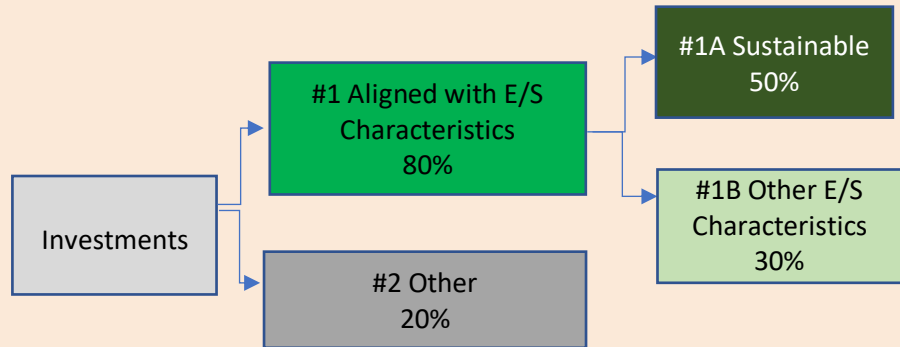
### Asset allocation

describes the share of investments in specific assets.

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.

## What is the asset allocation planned for this financial product?



**#1 Aligned with E/S characteristics** includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

**#2 Other** includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

The category **#1 Aligned with E/S characteristics** covers:

- The sub-category **#1A Sustainable** covers sustainable investments with environmental or social objectives.
- The sub-category **#1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.

The low carbon intensity and net zero characteristics, exclusions and best-in-class ESG tilts (as described above) will be applied to at least 80% of the portfolio, however the Fund also expects to allocate a minimum of 50% of its assets to sustainable investments. Among these sustainable investments, the Fund commits to make a minimum of 1% of sustainable investments with an environmental objective and 1% of sustainable investments with a social objective which can both vary independently at any time.

As explained above, the low carbon intensity and net zero characteristics are applied at a portfolio level (and not at the level of individual holdings, some of which may on an individual basis have a higher carbon intensity than the portfolio level average or target).

A maximum of 20% of the Fund's assets may be invested in hedging and/or cash instruments for efficient portfolio management purposes, which do not align with any environmental or social characteristics.

As explained above, any investments that are held by the Fund but become restricted because they breach the investment exclusions set out above, after they are acquired for the Fund, will be sold. Such sales will take place over a period of time to be determined by the Investment Adviser, taking into account the best interests of the shareholders of the Fund are included in "#2 Other".

These percentages are measured according to the value of the investments.

### ● **How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?**

Derivatives may be used by the Fund for investment or efficient portfolio management (including hedging) purposes only. These instruments are not used to attain the environmental or social characteristics of the Fund.



## To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

Not applicable – the Investment Adviser does not take account of the EU Taxonomy in its management of the Fund and as such the Fund’s sustainable investments do not take into account the criteria for environmentally sustainable economic activities under the EU Taxonomy.

To comply with EU Taxonomy, the criteria for **fossil gas** include limitations on emission and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

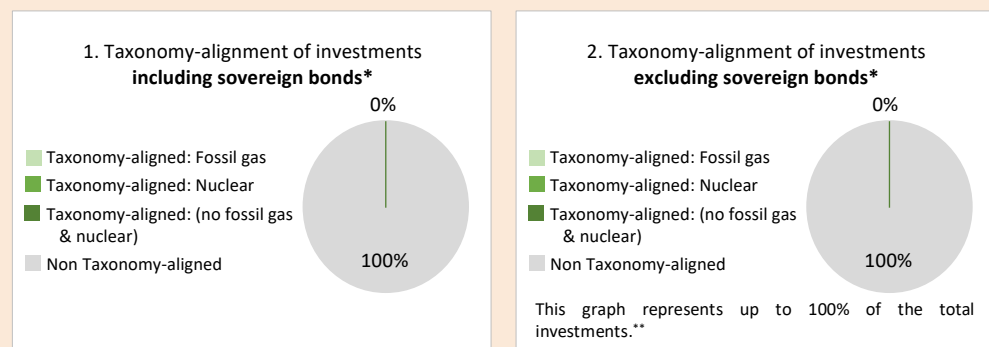
**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

**Transitional activities** are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

### ● Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy<sup>1</sup>?

- Yes:  
 In fossil gas     In nuclear energy  
 No

*The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.*



\* For the purpose of these graphs, ‘sovereign bonds’ consist of all sovereign exposures.

\*\*The proportion of total investments shown in this graph is purely indicative and may vary over time. As the Fund does not commit to making sustainable investments aligned with the EU Taxonomy, the proportion of any sovereign exposure in the Fund’s portfolio will not impact the proportion of sustainable investments aligned with the EU Taxonomy included in the graph.

### ● What is the minimum share of investments in transitional and enabling activities?

Not applicable - Although the Fund commits to invest in sustainable investments within the meaning of the SFDR, there is no commitment to a minimum share of investments in transitional and enabling activities.

<sup>1</sup> Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change (“climate change mitigation”) and do not significantly harm any EU Taxonomy objective – see explanatory note in the left-hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.



are sustainable investments with an environmental objective that **do not take into account** the criteria for environmentally sustainable economic activities under the EU Taxonomy.

### What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?

The Fund intends to make a minimum of 50% sustainable investments, as defined under the SFDR, with a combination of environmental and social objectives, as described above. Among these, the Fund commits to make a minimum of 1% of sustainable investments with an environmental objective and 1% of sustainable investments with a social objective which can both vary independently at any time. These sustainable investments will represent at least 50% of the portfolio holdings on an aggregated basis.

The Fund's sustainable investments with an environmental objective **do not take into account the criteria** for environmentally sustainable economic activities under the EU Taxonomy.

Although some of these sustainable investments may be Taxonomy aligned, due to lack of available data regarding the Taxonomy alignment of the underlying securities, the Investment Adviser has not been able to confirm whether these investments are in fact Taxonomy aligned and accordingly will not consider them as such in calculations until this data is reported on or otherwise becomes more reliable. As such, the Investment Adviser uses its own methodology to determine whether certain investments are sustainable in accordance with the SFDR sustainable investment test, and then invests in such assets for the Fund.



### What is the minimum share of socially sustainable investments?

As explained above, the Fund may make sustainable investments which contribute to either environmental or social objectives. Among these, the Fund commits to make a minimum of 1% of sustainable investments with an environmental objective and 1% of sustainable investments with a social objective which can both vary independently at any time. These sustainable investments will represent at least 50% of the portfolio holdings on an aggregated basis.



### What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?

The Fund may have investments in hedging instruments for efficient portfolio management and in cash as ancillary liquidity. These instruments are included in the “#2 Other” category and are not subject to environmental and/or social screening or any minimum environmental or social safeguards.



### Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?

Not applicable

**Reference benchmarks** are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.



## Where can I find more product specific information online?

More product-specific information can be found on the website:

[https://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite\\_msinvf\\_sustainableeurostrategicbond\\_en.pdf](https://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite_msinvf_sustainableeurostrategicbond_en.pdf)



**Pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852**

**Product name:**  
US Dollar Corporate Bond Fund

**Legal entity identifier:**  
549300A8CL51MXFJCN13

## Environmental and/or social characteristics

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**.

That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

**Does this financial product have a sustainable investment objective?**

**Yes**

**No**

It will make a minimum of **sustainable investments with an environmental objective: \_\_\_%**

- in economic activities that qualify as environmentally sustainable under the EU Taxonomy
- in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

It will make a minimum of **sustainable investments with a social objective: \_\_\_%**

It **promotes Environmental/Social (E/S) characteristics** and while it does not have as its objective a sustainable investment, it will have a minimum proportion of 40 % of sustainable investments

- with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy
- with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy
- with a social objective

It promotes E/S characteristics, but **will not make any sustainable investments**



## What environmental and/or social characteristics are promoted by this financial

The Fund promotes the environmental characteristic of climate change mitigation by excluding investments in certain types of fossil fuels. In addition, the Fund promotes the social characteristic of avoiding investments in certain activities which can cause harm to human health and wellbeing.

Further detail on the nature of these exclusions is set out below (in response to the question, “*What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?*”).

The Fund also supports the above environmental and social characteristics by aiming to make a minimum of 40% sustainable investments in:

- Corporate issuers whose business practices, products or solutions, make a net positive contribution towards United Nations’ Sustainable Development Goals (“**SDGs**”); or
- Sustainable Bonds which make a positive environmental or social contribution through their use of proceeds, as explained in response to the question below, “*What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?*”.

The Fund has not designated a reference benchmark for the purpose of attaining its environmental or social characteristics.

**Sustainability indicators** measure how the environmental or social characteristics promoted by the financial product are attained.

### ● **What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?**

The sustainability indicator used to measure the attainment of the Fund’s environmental and social characteristics is the Fund’s exposure, in percentage market value, to issuers that violate any of the exclusion criteria. Additional details on the Fund’s exclusions criteria and methodology are provided below in response to the question, “*What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?*”

### ● **What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?**

The Fund’s sustainable investments will fall within one of the following categories:

- Green, Social or Sustainability Bonds (“Sustainable Bonds”), as labelled in the securities’ documentation, where the issuer commits to allocate the proceeds to projects making a positive environmental or social contribution. This includes, but is not limited to, bonds that align with the International Capital Market Association (ICMA)’s Green Bond Principles, Social Bond Principles, and Sustainability Bond Guidelines, and bonds which have been assessed through the Investment Adviser’s proprietary Sustainable Bond evaluation framework. Sustainable Bonds mobilise financing directly towards a variety of environmental and social projects whose focus spans across a number of sustainability objectives. Examples include, but are not limited to, financing for renewable energy, energy efficiency, clean transportation, affordable housing, and financial inclusion projects. The specific objectives to which the Sustainable Bonds contribute depend on the eligible environmental and social project categories of each security.
- Bonds from corporate issuers whose business practices, products or solutions, make a net positive contribution towards the SDGs. The SDGs were adopted by the United Nations in 2015 as a universal call to action to end poverty, protect the planet and ensure that by 2030 all people enjoy peace and prosperity. They include environmental (e.g. Climate Action or Life on Land) and social (e.g. Good Health and Well-Being) objectives. The Investment Adviser defines positive contribution to the SDGs as a net positive aggregate alignment score across

all the SDGs (i.e., scores measuring positive contribution to individual SDGs have to, in total, be greater than the total of any negative contribution scores), based on third-party data. The Investment Adviser will also only include issuers which have sufficient positive SDG alignment (in the Investment Adviser's view) with at least one individual SDG, and which do not have any material mis-alignments (in the Investment Adviser's view) on any of the SDGs.

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

● ***How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?***

The Fund's sustainable investments aim not to cause significant harm to any environmental or social objective, by:

- avoiding investments in issuers that violate minimum social safeguards; and
- by the Fund excluding issuers which breach thresholds set by the Investment Adviser relating to the principal adverse impact ("PAI") indicators which the Investment Adviser is required to consider by the EU Sustainable Finance Disclosure Regulation ("SFDR") rules, and which are relevant to the investment.

This assessment is conducted using in-house proprietary as well as third-party research on the sustainability characteristics of the Fund's holdings.

– ***How have the indicators for adverse impacts on sustainability factors been taken into account?***

The "do no significant harm" methodology applied by the Investment Adviser on sustainable investments seeks to exclude investments that cause harm to any of the PAI indicators (listed below) which are mandatory for the Investment Adviser to consider under the EU SFDR rules, and which are relevant to the investment.

PAI indicators:

**Investee companies**

1. GHG emissions
2. Carbon Footprint
3. GHG intensity of investee companies
4. Exposure to companies active in the fossil sector
5. Share of non-renewable energy consumption and production
6. Energy consumption intensity per high impact climate sector
7. Activities negatively affecting biodiversity sensitive areas
8. Emissions to water
9. Hazardous waste ratio
10. Violations of UN Global Compact and OECD
11. Lack of processes and compliance mechanisms to monitor compliance with the UNGC and OECD
12. Unadjusted gender pay gap
13. Board gender diversity
14. Exposure to controversial weapons

The Investment Adviser has determined specific metrics and quantitative thresholds for what constitutes significant harm to screen PAI indicators that are relevant to the investment, using third-party data. The thresholds are set: (i) on an absolute value basis; (ii) on a relative basis in the context of the investment universe; or (iii) using pass/fail scores. Different metrics or thresholds may apply to issuers located in developed markets and in emerging markets, respectively. This is intended to reflect the different extent to which the Investment Adviser deems that meeting minimum sustainability standards in these markets is currently achievable. In addition, different relative thresholds may apply to similar indicators: for example, the Investment Adviser currently applies a lower threshold to determine significant adverse impact with respect to scope 3 emissions intensity as

compared to scope 1 and 2 emissions intensity. This is because: (i) companies have less control over their indirect emissions; and (ii) data estimates for scope 3 emissions, which currently prevail over reported data compared to scope 1 and 2 emissions, may result in a less accurate PAI assessment.

The Investment Adviser may use reasonable proxy indicators sourced from third parties to address the current lack of data for certain PAI indicators. The Investment Adviser's use of proxy indicators will be kept under review and will be replaced by PAI data from third-party data providers, when the Investment Adviser determines that sufficiently reliable data has become available.

The Investment Adviser generally conducts the PAI assessment at the issuer level. However, where appropriate the assessment may be done at the security level in whole or in part. For instance, in the case of Sustainable Bonds, as defined above, the PAI indicators that are directly related to the sustainability factors targeted by the bond's use of proceeds will be assessed at the security level, through the Investment Adviser's proprietary Sustainable Bond Evaluation Framework. As an example, the Fund may invest in a Green Bond issued by a utility company that has a negative assessment of the PAI indicators related to GHG emissions and/or GHG intensity, as long as the Investment Adviser evaluates that the issuer has a credible strategy to reduce its GHG emissions, and that the Green Bond specifically contributes towards such goal. Other PAI indicators that are unrelated to the Sustainable Bond's use of proceeds are still assessed at the issuer level.

The Fund's PAI assessment is supported, on a qualitative basis, by the Investment Adviser's engagement with selected issuers on their corporate governance practices, as well as on other material sustainability issues related to the SDGs, in line with the Investment Adviser's Fixed Income Engagement Strategy, available on [www.morganstanley.com/im](http://www.morganstanley.com/im).

– *How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:*

The Fund's sustainable investments exclude issuers which have experienced very severe controversies that are deemed to violate the UN Global Compact, the UN Guiding Principles on Business and Human Rights, or the ILO Fundamental Principles, and issuers with very severe controversies related to violations of the OECD Guidelines for Multinational Enterprises. This screening is done using third-party data.

*The EU Taxonomy sets out a “do not significant harm” principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.*

*The “do no significant harm” principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.*

*Any other sustainable investments must also not significantly harm any environmental or social objectives.*

*Regulation requires that this document include these statements. However, for the avoidance of doubt, this Fund does not: (i) take into account the EU criteria for environmentally sustainable economic activities in the EU Taxonomy; or (ii) calculate its portfolio alignment with the EU Taxonomy. As such, the Fund is 0% aligned with the EU Taxonomy. The “do no significant harm” principle applies only to the portion of the Fund’s investments that are sustainable investments.*



### Does this financial product consider principal adverse impacts on sustainability factors?

- Yes  
 No

The Fund considers all of the mandatory PAI on sustainability factors which are relevant to the investment for the portion allocated to sustainable investments, as described above in response to the question, “How have the indicators for adverse impacts on sustainability factors been taken into account?”

The portion of the Fund that is not made of sustainable investments considers the PAI only in part through the Fund’s exclusionary criteria, as follows:

- The Fund excludes issuers which derive any revenue from thermal coal mining and extraction. The Fund therefore partly considers the PAI indicator 4: exposure to companies active in the fossil fuel sector.
- The Fund excludes issuers which derive any revenue from controversial weapons manufacturing or retail. The Fund therefore considers in whole the PAI indicator 14: exposure to controversial weapons.

The Fund will make information available on how it has incorporated the PAIs into the Fund in its periodic reports to investors.



### What investment strategy does this financial product follow?

The Fund aims to provide an attractive rate of relative return, measured in US Dollars, through investments in high quality issues of US Dollar denominated fixed income securities, issued by corporations and other non-government related issuers, while reducing exposure to sustainability risks through exclusionary screening of selected fossil fuels and of activities which can cause dangers to human health and wellbeing.

**The investment strategy** guides investment decisions based on factors such as investment objectives and risk tolerance.

In addition to the ESG considerations described in this summary on a binding basis, the Fund integrates ESG considerations in the investment decision-making process to support its environmental and social characteristics on a non-binding basis, based on the Investment Adviser's in-house research and methodologies and on third-party data.

The investment process is subject to regular review, as part of a control and monitoring framework implemented by the Investment Adviser. The Investment Adviser's Compliance, Risk and Portfolio Surveillance teams collaborate with the investment team to conduct regular portfolio/performance reviews and systemic checks to ensure compliance with portfolio investment objectives and environmental and social characteristics, taking into account changing market conditions, information and strategy developments.

● ***What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?***

The binding elements of the investment strategy are described in the table below.

The criteria are implemented and monitored by the Investment Adviser using a combination of third-party data and in-house research.

<b>Binding criteria</b>	
<b>The Fund will not invest in corporate issuers which:</b>	<p><b><u>Derive any revenue from any of the following activities:</u></b></p> <ul style="list-style-type: none"> <li>Controversial weapons manufacturing or retail (anti-personnel landmines, cluster munitions, biological or chemical weapons, and nuclear weapons);</li> <li>Civilian firearms manufacturing or retail;</li> <li>Tobacco manufacturing; or</li> </ul> <p><b><u>Derive more than 5% revenue from any of the following activities:</u></b></p> <ul style="list-style-type: none"> <li>Thermal coal mining and extraction. The Fund may, as an exception, invest in labelled Sustainable Bonds issued by fossil fuel companies, which are intended to raise proceeds specifically for projects that promote positive environmental contributions mitigating the adverse sustainability impact of coal, such as renewable energy or energy efficiency, based on information available in the bond issuance documentation.</li> </ul>
<b>Sustainable investments</b>	The Fund will maintain a minimum of 40% of sustainable investments, which meet the criteria as set out in response to the question, <i>"What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?"</i>

The Investment Adviser may decide to implement additional restrictions to the Fund, and such new restrictions will be disclosed in the Fund's SFDR Website Disclosure.

**Good governance** practices include sound management structures, employee relations, remuneration of staff and tax compliance.

● ***What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?***

The Fund does not target a specific reduction rate of the scope of investments.

● ***What is the policy to assess good governance practices of the investee companies?***

As part of its bottom-up, fundamental research process, the Investment Adviser systematically incorporates the assessment of an issuer's corporate governance and business practices, including but not limited to evidence of sound management structures and employee relations, fair remuneration of staff, and tax compliance, in order to ensure that every investee company follows good governance practices.

This is done through the monitoring of data on governance-related, as well as on other environmental and/or social factors and controversies, sourced from third party providers, through in-house research, and through engagement with the management of selected issuers on corporate governance and disclosure issues.

In addition, the Fund's sustainable investments exclude any company that is involved in very severe governance-related controversies.



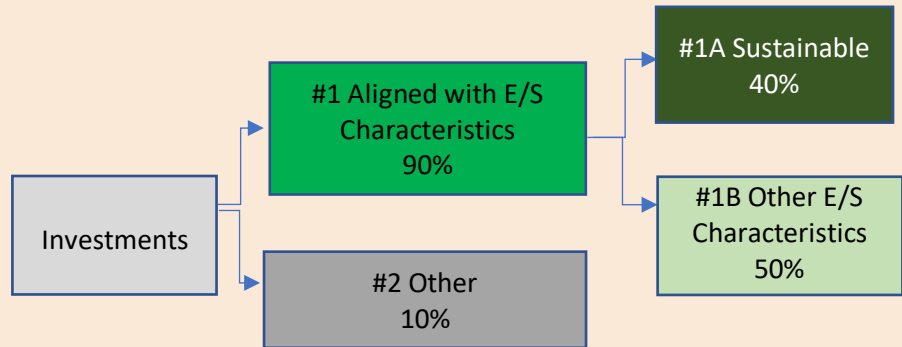
### Asset allocation

describes the share of investments in specific assets.

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.

## What is the asset allocation planned for this financial product?



**#1 Aligned with E/S characteristics** includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

**#2 Other** includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

The category **#1 Aligned with E/S characteristics** covers:

- The sub-category **#1A Sustainable** covers sustainable investments with environmental or social objectives.
- The sub-category **#1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.

The exclusions (as described above) will be applied to at least 90% of the portfolio, of which the Fund also expects to allocate a minimum of 40% of its assets to sustainable investments. Among these sustainable investments, the Fund commits to make a minimum of 1% of sustainable investments with an environmental objective and 1% of sustainable investments with a social objective which can both vary independently at any time.

A maximum of 10% of the Fund's assets may be invested in hedging and/or cash instruments for efficient portfolio management purposes, which do not align with any environmental or social characteristics.

These percentages are measured according to the value of the investments.

### ● **How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?**

Derivatives may be used by the Fund for investment or efficient portfolio management (including hedging) purposes only. These instruments are not used to attain the environmental or social characteristics of the Fund.



### **To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?**

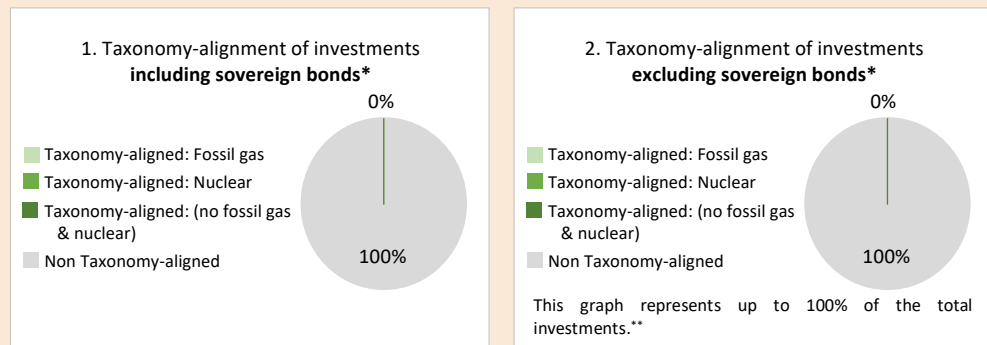
Not applicable – the Investment Adviser does not take account of the EU Taxonomy in its management of the Fund and as such the Fund's sustainable investments do not take into account the criteria for environmentally sustainable economic activities under the EU Taxonomy.



● **Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy<sup>1</sup>?**

- Yes:
  - In fossil gas     In nuclear energy
- No

*The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.*



\* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures.  
 \*\*The proportion of total investments shown in this graph is purely indicative and may vary over time. As the Fund does not commit to making sustainable investments aligned with the EU Taxonomy, the proportion of any sovereign exposure in the Fund's portfolio will not impact the proportion of sustainable investments aligned with the EU Taxonomy included in the graph.

To comply with EU Taxonomy, the criteria for **fossil gas** include limitations on emission and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

**Transitional activities** are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

● **What is the minimum share of investments in transitional and enabling activities?**

Not applicable - Although the Fund commits to invest in sustainable investments within the meaning of the SFDR, there is no commitment to a minimum share of investments in transitional and enabling activities.

<sup>1</sup> Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objective – see explanatory note in the left-hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.



are sustainable investments with an environmental objective that **do not take into account** the criteria for environmentally sustainable economic activities under the EU Taxonomy.

### What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?

The Fund intends to make a minimum of 40% sustainable investments, as defined under the SFDR, with a combination of environmental and social objectives, as described above. Among these, the Fund commits to make a minimum of 1% of sustainable investments with an environmental objective and 1% of sustainable investments with a social objective which can both vary independently at any time. These sustainable investments will represent at least 40% of the portfolio holdings on an aggregated basis.

The Fund's sustainable investments with an environmental objective **do not take into account the criteria** for environmentally sustainable economic activities under the EU Taxonomy.

Although some of these sustainable investments may be Taxonomy aligned, due to lack of available data regarding the Taxonomy alignment of the underlying securities, the Investment Adviser has not been able to confirm whether these investments are in fact Taxonomy aligned and accordingly will not consider them as such in calculations until this data is reported on or otherwise becomes more reliable. As such, the Investment Adviser uses its own methodology to determine whether certain investments are sustainable in accordance with the SFDR sustainable investment definition, and then invests in such assets for the Fund.



### What is the minimum share of socially sustainable investments?

As explained above, the Fund may make sustainable investments which contribute to either environmental or social objectives. Among these, the Fund commits to make a minimum of 1% of sustainable investments with an environmental objective and 1% of sustainable investments with a social objective which can both vary independently at any time. These sustainable investments will represent at least 40% of the portfolio holdings on an aggregated basis.



### What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?

The Fund may have investments in hedging instruments for efficient portfolio management and in cash as ancillary liquidity. These instruments are included in the “#2 Other” category and are not subject to environmental and/or social screening or any minimum environmental or social safeguards.



### Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?

Not applicable

**Reference benchmarks** are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.



### Where can I find more product specific information online?

More product-specific information can be found on the website:

[https://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite\\_msinvf\\_usdollarcorporatebond\\_en.pdf](https://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite_msinvf_usdollarcorporatebond_en.pdf)

**Pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852**

**Product name:**

US Dollar Short Duration Bond Fund

**Legal entity identifier:**

5493008B8KBFODOHZX52

## Environmental and/or social characteristics

**Sustainable investment**

means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**.

That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

**Does this financial product have a sustainable investment objective?**

**Yes**

**No**

It will make a minimum of **sustainable investments with an environmental objective: \_\_\_%**

- in economic activities that qualify as environmentally sustainable under the EU Taxonomy
- in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

It will make a minimum of **sustainable investments with a social objective: \_\_\_%**

It **promotes Environmental/Social (E/S) characteristics** and while it does not have as its objective a sustainable investment, it will have a minimum proportion of 15% of sustainable investments

- with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy
- with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy
- with a social objective

It promotes E/S characteristics, but **will not make any sustainable investments**



## What environmental and/or social characteristics are promoted by this financial

The Fund promotes the environmental characteristic of climate change mitigation by excluding investments in certain types of fossil fuels. In addition, the Fund promotes the social characteristic of avoiding investments in activities which can cause harm to human health and wellbeing, in sovereign issuers that significantly violate social rights, and securitisations that violate responsible business or lending practices.

Further detail on the nature of these exclusions is set out below (in response to the question, “*What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?*”).

The Fund also aims to make a minimum of 15% sustainable investments in:

- Corporate issuers whose business practices, products or solutions, make a net positive contribution towards United Nations’ Sustainable Development Goals (“**SDGs**”);
- Sovereign issuers with ESG scores in the top-2 ranks according to the Investment Adviser’s proprietary scoring methodology, associated with positive environmental or social attributes; or
- Sustainable Bonds, from any type of issuer, which make a positive environmental or social contribution through their use of proceeds, as explained in response to the question below, “*What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?*”

The Fund has not designated a reference benchmark for the purpose of attaining its environmental or social characteristics.

**Sustainability indicators** measure how the environmental or social characteristics promoted by the financial product are attained.

### ● ***What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?***

The sustainability indicator used to measure the attainment of the Fund’s environmental and social characteristics is the Fund’s exposure, in percentage market value, to issuers that violate any of the exclusion criteria. Additional details on the Fund’s exclusions criteria and methodology are provided below in response to the question, “*What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?*”

### ● ***What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?***

The Fund’s sustainable investments will fall within one of the following categories:

- Green, Social or Sustainability Bonds (“Sustainable Bonds”), as labelled in the securities’ documentation, where the issuer commits to allocate the proceeds to projects making a positive environmental or social contribution. This includes, but is not limited to, bonds that align with the International Capital Market Association (ICMA)’s Green Bond Principles, Social Bond Principles, and Sustainability Bond Guidelines, and bonds which have been assessed through the Investment Adviser’s proprietary Sustainable Bond evaluation framework. Sustainable Bonds mobilise financing directly towards a multiplicity of environmental and social projects whose focus spans across a number of sustainability objectives. Examples include, but are not limited to, financing for renewable energy, energy efficiency, clean transportation, affordable housing, and financial inclusion projects. The specific objectives to which the Sustainable Bonds contribute depend on the eligible environmental and social project categories of each security.

- Bonds from corporate issuers whose business practices, products or solutions, make a net positive contribution towards the SDGs. The SDGs were adopted by the United Nations in 2015 as a universal call to action to end poverty, protect the planet and ensure that by 2030 all people enjoy peace and prosperity. The Investment Adviser defines positive contribution to the SDGs as a net positive aggregate alignment score across all the SDGs (i.e., scores measuring positive contribution to individual SDGs have to, in total, be greater than the total of any negative contribution scores), based on third-party data. The Investment Adviser will also only include issuers which have sufficient positive SDG alignment (in the Investment Adviser's view) with at least one individual SDG, and which do not have any material mis-alignments (in the Investment Adviser's view) on any of the SDGs.
- Bonds from sovereign issuers with an ESG rank of 4 or 5, in a 1-5 range where 5 is best, based on the Investment Adviser's proprietary ESG scoring methodology. Ranks of 4 and 5 reflect a country's positive contribution towards environmental and social themes such as decarbonisation, forestry conservation, promotion of education, health and wellbeing, and good living standards. The Investment Adviser will, however, not treat the investment as sustainable if the sovereign issuer ranked 4 or 5 has experienced recent negative momentum as assessed through in-house research, which is not captured by ESG data providers. For example, this may include circumstances where a country is facing significant political and/or social instability.

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

● ***How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?***

The Fund's sustainable investments aim not to cause significant harm to any environmental or social objective, by:

- avoiding investments in issuers that violate minimum social safeguards; and
- by the Fund excluding issuers which breach thresholds set by the Investment Advisers relating to the principal adverse impact ("PAI") indicators which the Investment Adviser is required to consider by the EU Sustainable Finance Disclosure Regulation ("SFDR") rules, and which are relevant to the investment.

This assessment is conducted using in-house proprietary as well as third-party research on the sustainability characteristics of the Fund's holdings.

– *How have the indicators for adverse impacts on sustainability factors been taken into account?*

The “do no significant harm” methodology applied by the Investment Adviser on sustainable investments seeks to exclude investments that cause harm to any of the PAI indicators (listed below) which are mandatory for the Investment Adviser to consider under the EU SFDR rules, and which are relevant to the investment.

PAI indicators:

**Investee companies**

1. GHG emissions
2. Carbon Footprint
3. GHG intensity of investee companies
4. Exposure to companies active in the fossil sector
5. Share of non-renewable energy consumption and production
6. Energy consumption intensity per high impact climate sector
7. Activities negatively affecting biodiversity sensitive areas
8. Emissions to water
9. Hazardous waste ratio
10. Violations of UN Global Compact and OECD
11. Lack of processes and compliance mechanisms to monitor compliance with the UNGC and OECD
12. Unadjusted gender pay gap
13. Board gender diversity
14. Exposure to controversial weapons

**Sovereign**

1. Sovereign GHG intensity
2. Investee countries subject to social violations

The Investment Adviser has determined specific metrics and quantitative thresholds for what constitutes significant harm to screen PAI indicators that are relevant to the investment, using third-party data as well as in-house research. The thresholds are set: (i) on an absolute value basis; (ii) on a relative basis in the context of the investment universe; or (iii) using pass/fail scores. Different metrics or thresholds may apply to issuers located in developed markets and in emerging markets, respectively. This is intended to reflect the different extent to which the Investment Adviser deems that meeting minimum sustainability standards in these markets is currently achievable. In addition, different relative thresholds may apply to similar indicators: for example, the Investment Adviser currently applies a lower threshold to determine significant adverse impact with respect to scope 3 emissions intensity as compared to scope 1 and 2 emissions intensity. This is because: (i) companies have less control over their indirect emissions; and (ii) data estimates for scope 3 emissions, which currently prevail over reported data compared to scope 1 and 2 emissions, may result in a less accurate PAI assessment.

The Investment Adviser may use reasonable proxy indicators sourced from third parties to address the current lack of data for certain PAI indicators. The Investment Adviser’s use of proxy indicators will be kept under review and will be replaced by PAI data from third-party data providers, when the Investment Adviser determines that sufficiently reliable data has become available.

The Investment Adviser generally conducts the PAI assessment at the issuer level. However, where appropriate the assessment may be done at the security level in whole or in part. For instance, in the case of Sustainable Bonds, as defined above, the PAI indicators that are directly related to the sustainability factors targeted by the bond’s use of proceeds will be assessed at the security level, through the Investment Adviser’s proprietary Sustainable Bond Evaluation Framework. As an example, the Fund may invest in a Green Bond issued by a utility company that has a negative assessment of the PAI indicators related to GHG emissions and/or GHG intensity, as long as the Investment Adviser evaluates that the issuer has a credible strategy to reduce its GHG emissions, and that the Green Bond specifically

contributes towards such goal. Other PAI indicators that are unrelated to the Sustainable Bond's use of proceeds are still assessed at the issuer level.

The Fund's PAI assessment is supported, on a qualitative basis, by the Investment Adviser's engagement with selected issuers on their corporate governance practices, as well as on other material sustainability issues related to the SDGs, in line with the Investment Adviser's Fixed Income Engagement Strategy, available on [www.morganstanley.com/im](http://www.morganstanley.com/im).

– *How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:*

The Fund's sustainable investments exclude issuers which have experienced very severe controversies that are deemed to violate the UN Global Compact, the UN Guiding Principles on Business and Human Rights, or the ILO Fundamental Principles, and issuers with very severe controversies related to violations of the OECD Guidelines for Multinational Enterprises. This screening is done using third-party data.

*The EU Taxonomy sets out a "do not significant harm" principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.*

*The "do no significant harm" principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.*

*Any other sustainable investments must also not significantly harm any environmental or social objectives.*

*Regulation requires that this document include these statements. However, for the avoidance of doubt, this Fund does not: (i) take into account the EU criteria for environmentally sustainable economic activities in the EU Taxonomy; or (ii) calculate its portfolio alignment with the EU Taxonomy. As such, the Fund is 0% aligned with the EU Taxonomy. The "do no significant harm" principle applies only to the portion of the Fund's investments that are sustainable investments.*



### Does this financial product consider principal adverse impacts on sustainability factors?

- Yes  
 No

The Fund considers all of the mandatory PAI on sustainability factors which are relevant to the investment for the portion allocated to sustainable investments, as described above in response to the question, "How have the indicators for adverse impacts on sustainability factors been taken into account?"

The portion of the Fund that is not made of sustainable investments considers the PAI only in part through the Fund's exclusionary criteria, as follows:

- The Fund excludes issuers which derive any revenue from thermal coal mining and extraction. The Fund therefore partly considers the PAI indicator 4: exposure to companies active in the fossil fuel sector.

- The Fund excludes issuers which derive any revenue from controversial weapons manufacturing or retail. The Fund therefore considers in whole the PAI indicator 14: exposure to controversial weapons.
- The Fund excludes sovereign issuers where there is evidence of them having caused significant harm from social violations, which the Investment Adviser defines in relation to the bottom-10% ranked countries on an indicator reflecting the fulfilment of social rights, as further explained in response to the question, “What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?” The Fund therefore considers in part the PAI indicator number 16: investee countries subject to social violations.

The Fund will make information available on how it has incorporated the PAIs into the Fund in its periodic reports to investors.



### What investment strategy does this financial product follow?

The Fund aims to provide an attractive rate of relative return, measured in US Dollars, through investments in issues of high quality USD denominated fixed income securities, and for the avoidance of doubt including asset backed securities (including mortgage backed securities), while reducing exposure to sustainability risks through exclusionary screening of selected fossil fuels and of activities which can cause dangers to human health and wellbeing, of sovereign issuers that violate social rights, and of securitisations that violate responsible business or lending practices.

In addition to the ESG considerations described in this summary on a binding basis, the Fund integrates ESG considerations in the investment decision-making process to support its environmental and social characteristics on a non-binding basis, based on the Investment Adviser’s in-house research and methodologies and on third-party data.

The investment process is subject to regular review, as part of a control and monitoring framework implemented by the Investment Adviser. The Investment Adviser’s Compliance, Risk and Portfolio Surveillance teams collaborate with the investment team to conduct regular portfolio/performance reviews and systemic checks to ensure compliance with portfolio investment objectives and environmental and social characteristics, taking into account changing market conditions, information and strategy developments.

**The investment strategy** guides investment decisions based on factors such as investment objectives and risk tolerance.

● **What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?**

The binding elements of the investment strategy are described in the table below.

The criteria are implemented and monitored by the Investment Adviser using a combination of third-party data and in-house research.

Binding criteria	
<p><b>The Fund will not invest in corporate issuers which:</b></p>	<p><b><u>Derive any revenue from any of the following activities:</u></b></p> <ul style="list-style-type: none"> <li>• Controversial weapons manufacturing or retail (anti-personnel landmines, cluster munitions, biological or chemical weapons, and nuclear weapons);</li> <li>• Civilian firearms manufacturing or retail;</li> <li>• Tobacco manufacturing; or</li> </ul> <p><b><u>Derive more than 5% revenue from any of the following activities:</u></b></p> <ul style="list-style-type: none"> <li>• Thermal coal mining and extraction. The Fund may, as an exception, invest in labelled Sustainable Bonds issued by</li> </ul>



	<p>fossil fuel companies, which are intended to raise proceeds specifically for projects that promote positive environmental contributions mitigating the adverse sustainability impact of coal, such as renewable energy or energy efficiency, based on information available in the bond issuance documentation.</p>
<p><b>The Fund will not invest in sovereign issuers which:</b></p>	<p>Are in the bottom-10% ranked countries for social violations, based on the Investment Adviser’s custom indicator.</p> <p>The social violations custom indicator is calculated by the Investment Adviser taking into consideration a country’s performance on issues including, but not limited to, the application of human rights and civil liberties, the quality of contract enforcement and security, freedom of expression, association and free media, as assessed by underlying data from third parties.</p> <p>Investments that are held by the Fund but become restricted because they breach the investment exclusions set out above, after they are acquired for the Fund, will be sold. Such sales will take place over a period of time to be determined by the Investment Adviser, taking into account the best interests of the shareholders of the Fund.</p> <p>In addition, any investments in sovereign issuers exhibiting positive momentum with respect to such violations, shall not be subject to the purchase restriction. For example, if a country is in the process of making significant remediation efforts, such as through electoral or policy reforms and engagement with civil society, with regard to any social violations, the Investment Adviser may not exclude the investment from the Fund, provided this is kept under review by the Investment Adviser.</p>
<p><b>The Fund will not invest in securitisations in which:</b></p>	<ul style="list-style-type: none"> <li>• The underlying loans show evidence of predatory lending, as determined by the applicable usury laws, and in the context of market rates and borrower’s risk profile;*</li> <li>• The lender or servicer of the underlying assets has committed a severe breach of consumer protection standards: <ul style="list-style-type: none"> <li>○ as established by the Consumer Financial Protection Bureau (CFPB) in the United States; or</li> <li>○ as established by any relevant regulatory and supervisory agency in the jurisdiction where the securitisation’s originator and/or collateral are located;</li> </ul> <p>if the breach relates to the securitisation’s underlying collateral, underwriting and servicing practices, unless there is evidence of the breach having been or being remediated;** or</p> </li> <li>• The originator, lender or servicers has been involved in controversy cases related to business ethics and fraud that the Investment Adviser views as “Very Severe” based on data by relevant ESG data providers, and where the Investment</li> </ul>

	<p>Adviser considers appropriate remedial action has not been taken.</p> <p>* A loan is considered a predatory loan if:</p> <ul style="list-style-type: none"> <li>• Interest rates do not comply with U.S. usury laws or the equivalent in other jurisdictions; or</li> <li>• Interest rates being offered exceed a limit for which the Investment Adviser deems to be exceedingly higher than the industry standard. The Investment Adviser may choose to proceed with an investment where interest rates where interest rates surpass this level if following enhanced due diligence (including through direct engagement with the lending team and/or servicing department on the securitisation deal), the Investment Adviser determines that access to the loan is still beneficial to the borrower when taking into consideration its risk profile and alternative borrowing options. The interest rate levels which are considered industry standard are subject to periodic review by the Investment Adviser, based on the prevailing market conditions and prevailing rates across the industry at the time.</li> </ul> <p>** This exclusion criterion does not apply to lenders or servicers of U.S. government sponsored mortgage-backed securities, as their compliance of such securitisations with local regulatory standards is already monitored by the U.S. government on an ongoing basis. Such investments will be considered to fall within “#1 Aligned with E/S characteristics”, in response to the question, “What is the asset allocation planned for this financial product?”</p>
<b>Sustainable investments</b>	<p>The Fund will maintain a minimum of 15% of sustainable investments, which meet the criteria as set out in response to the question, “What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?”</p>

The Investment Adviser may decide to implement additional restrictions to the Fund, and such new restrictions will be disclosed in the Fund’s SFDR Website Disclosure.

**Good governance** practices include sound management structures, employee relations, remuneration of staff and tax compliance.

● **What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?**

The Fund does not target a specific reduction rate of the scope of investments.

● **What is the policy to assess good governance practices of the investee companies?**

As part of its bottom-up, fundamental research process, the Investment Adviser systematically incorporates the assessment of an issuer’s corporate governance and business practices, including but not limited to evidence of sound management structures and employee relations, fair remuneration of staff, and tax compliance, in order to ensure that every investee company follows good governance practices.

This is done through the monitoring of data on governance-related, as well as on other environmental and/or social factors and controversies, sourced from third party providers, through in-house research,

and through engagement with the management of selected issuers on corporate governance and disclosure issues.

In addition, the Fund’s sustainable investments exclude any company that is involved in very severe governance-related controversies.

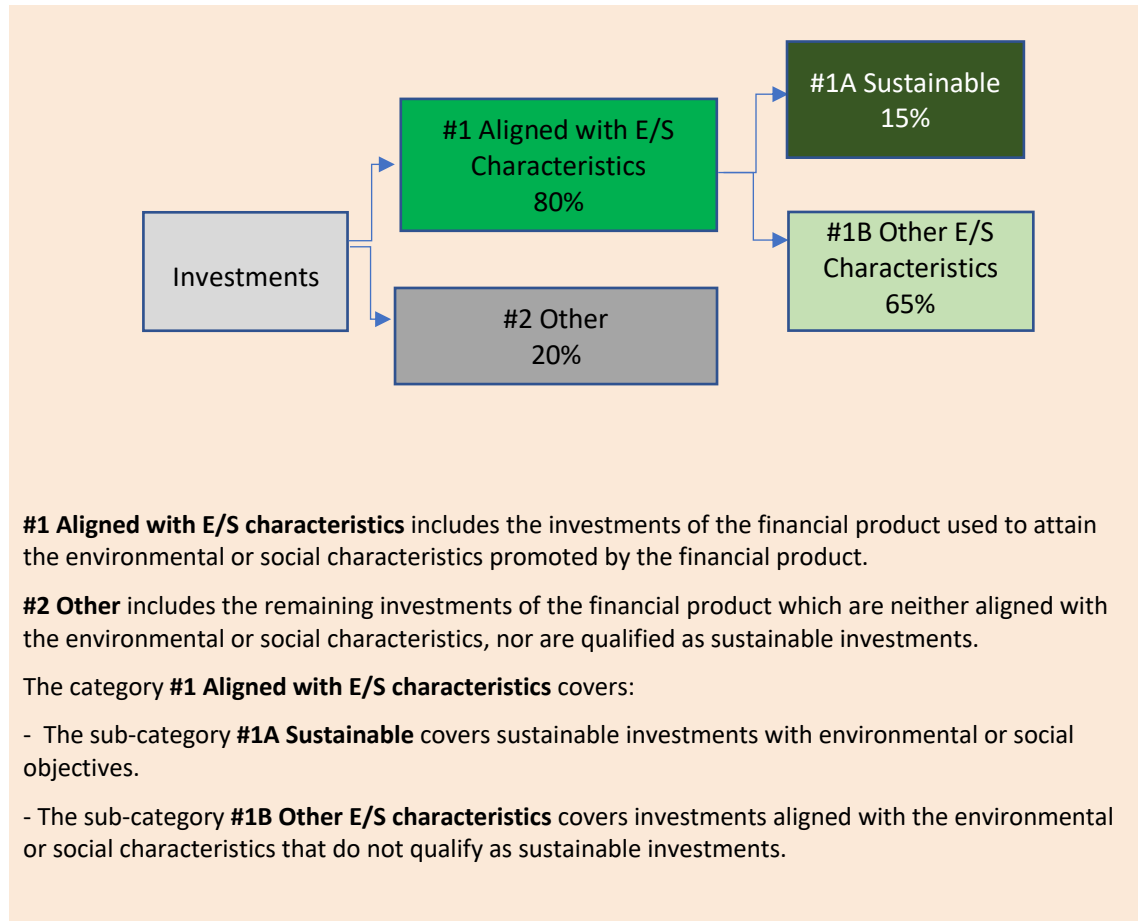


**Asset allocation** describes the share of investments in specific assets.

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.

**What is the asset allocation planned for this financial product?**



**#1 Aligned with E/S characteristics** includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

**#2 Other** includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

The category **#1 Aligned with E/S characteristics** covers:

- The sub-category **#1A Sustainable** covers sustainable investments with environmental or social objectives.
- The sub-category **#1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.

The exclusions (as described above) will be applied to at least 80% of the portfolio, however the Fund also expects to allocate a minimum of 15% of its assets to sustainable investments. Among these sustainable investments, the Fund commits to make a minimum of 1% of sustainable investments with an environmental objective and 1% of sustainable investments with a social objective which can both vary independently at any time.

A maximum of 20% of the Fund’s assets may be invested in hedging and/or cash instruments for efficient portfolio management purposes, which do not align with any environmental or social characteristics.

As explained above, any investments that are held by the Fund but become restricted because they breach the investment exclusions set out above, after they are acquired for the Fund, will be sold. Such sales will take place over a period of time to be determined by the Investment Adviser, taking into account the best interests of the shareholders of the Fund. Such investments are included in the “#2 Other” category.

These percentages are measured according to the value of the investments.

● **How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?**

Derivatives may be used by the Fund for investment or efficient portfolio management (including hedging) purposes only. These instruments are not used to attain the environmental or social characteristics of the Fund.



**To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?**

Not applicable – the Investment Adviser does not take account of the EU Taxonomy in its management of the Fund and as such the Fund’s sustainable investments do not take into account the criteria for environmentally sustainable economic activities under the EU Taxonomy.

● **Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy<sup>1</sup>?**

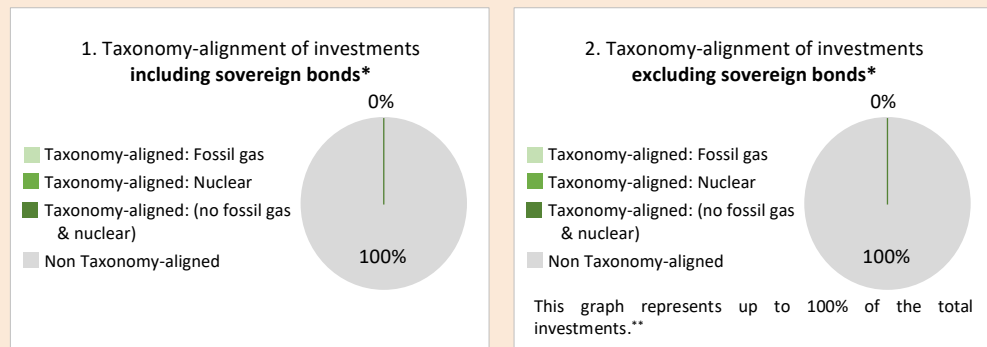
- Yes:
  - In fossil gas     In nuclear energy
- No

To comply with EU Taxonomy, the criteria for **fossil gas** include limitations on emission and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

**Transitional activities** are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

*The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.*



\* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures.

\*\*The proportion of total investments shown in this graph is purely indicative and may vary over time. As the Fund does not commit to making sustainable investments aligned with the EU Taxonomy, the proportion of any sovereign exposure in the Fund’s portfolio will not impact the proportion of sustainable investments aligned with the EU Taxonomy included in the graph.

<sup>1</sup> Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change (“climate change mitigation”) and do not significantly harm any EU Taxonomy objective – see explanatory note in the left-hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

● **What is the minimum share of investments in transitional and enabling activities?**

Not applicable - Although the Fund commits to invest in sustainable investments within the meaning of the SFDR, there is no commitment to a minimum share of investments in transitional and enabling activities.



are sustainable investments with an environmental objective that **do not take into account** the criteria for environmentally sustainable economic activities under the EU Taxonomy.

**What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?**

The Fund intends to make a minimum of 15% sustainable investments, as defined under the SFDR, with a combination of environmental and social objectives, as described above. Among these, the Fund commits to make a minimum of 1% of sustainable investments with an environmental objective and 1% of sustainable investments with a social objective which can both vary independently at any time. These sustainable investments will represent at least 15% of the portfolio holdings on an aggregated basis.

The Fund's sustainable investments with an environmental objective **do not take into account the criteria** for environmentally sustainable economic activities under the EU Taxonomy.

Although some of these sustainable investments may be Taxonomy aligned, due to lack of available data regarding the Taxonomy alignment of the underlying securities, the Investment Adviser has not been able to confirm whether these investments are in fact Taxonomy aligned and accordingly will not consider them as such in calculations until this data is reported on or otherwise becomes more reliable. As such, the Investment Adviser uses its own methodology to determine whether certain investments are sustainable in accordance with the SFDR sustainable investment test, and then invests in such assets for the Fund.



**What is the minimum share of socially sustainable investments?**

As explained above, the Fund may make sustainable investments which contribute to either environmental or social objectives. Among these, the Fund commits to make a minimum of 1% of sustainable investments with an environmental objective and 1% of sustainable investments with a social objective which can both vary independently at any time. These sustainable investments will represent at least 15% of the portfolio holdings on an aggregated basis.



**What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?**

The Fund may have investments in hedging instruments for efficient portfolio management and in cash as ancillary liquidity. These instruments are included in the “#2 Other” category and are not subject to environmental and/or social screening or any minimum environmental or social safeguards.



**Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?**

Not applicable

**Reference benchmarks** are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.



## Where can I find more product specific information online?

More product-specific information can be found on the website:

[https://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite\\_msinvf\\_usdollarshortdurationbond\\_en.pdf](https://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite_msinvf_usdollarshortdurationbond_en.pdf)

**Pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852**

**Product name:**

US Dollar Short Duration High Yield Bond Fund

**Legal entity identifier:**

549300ZADDUDEM9Q8605

## Environmental and/or social characteristics

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**.

That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

**Does this financial product have a sustainable investment objective?**

<p><input checked="" type="radio"/> <input type="radio"/> <input type="checkbox"/> <b>Yes</b></p> <p><input type="checkbox"/> It will make a minimum of <b>sustainable investments with an environmental objective: ___%</b></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> </ul> <p><input type="checkbox"/> It will make a minimum of <b>sustainable investments with a social objective: ___%</b></p>	<p><input checked="" type="radio"/> <input type="radio"/> <input checked="" type="checkbox"/> <b>No</b></p> <p><input checked="" type="checkbox"/> It <b>promotes Environmental/Social (E/S) characteristics</b> and while it does not have as its objective a sustainable investment, it will have a minimum proportion of <u>5</u> % of sustainable investments</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input checked="" type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> <li><input checked="" type="checkbox"/> with a social objective</li> </ul> <p><input type="checkbox"/> It promotes E/S characteristics, but <b>will not make any sustainable investments</b></p>
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## What environmental and/or social characteristics are promoted by this financial

The Fund promotes the environmental characteristic of climate change mitigation by excluding investments in certain types of fossil fuels. In addition, the Fund promotes the social characteristic of avoiding investments in certain activities which can cause harm to human health and wellbeing.

Further detail on the nature of these exclusions is set out below (in response to the question, *“What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?”*).

The Fund also aims to make a minimum of 5% sustainable investments in:

- Corporate issuers whose business practices, products or solutions, make a net positive contribution towards United Nations’ Sustainable Development Goals (“SDGs”); or
- Sustainable Bonds which make a positive environmental or social contribution through their use of proceeds, as explained in response to the question below, *“What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?”*.

The Fund has not designated a reference benchmark for the purpose of attaining its environmental or social characteristics.

**Sustainability indicators** measure how the environmental or social characteristics promoted by the financial product are attained.

### ● **What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?**

The sustainability indicator used to measure the attainment of the Fund’s environmental and social characteristics is the Fund’s exposure, in percentage market value, to issuers that violate any of the exclusion criteria. Additional details on the Fund’s exclusions criteria and methodology are provided below in response to the question, *“What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?”*

### ● **What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?**

The Fund’s sustainable investments will fall within one of the following categories:

- Green, Social or Sustainability Bonds (“Sustainable Bonds”), as labelled in the securities’ documentation, where the issuer commits to allocate the proceeds to projects making a positive environmental or social contribution. This includes, but is not limited to, bonds that align with the International Capital Market Association (ICMA)’s Green Bond Principles, Social Bond Principles, and Sustainability Bond Guidelines. Sustainable Bonds mobilise financing directly towards a multiplicity of environmental and social projects whose focus spans across a number of sustainability objectives. Examples include, but are not limited to, financing for renewable energy, energy efficiency, clean transportation, affordable housing, and financial inclusion projects. The specific objectives to which the Sustainable Bonds contribute depend on the eligible environmental and social project categories of each security.
- Bonds from corporate issuers whose business practices, products or solutions, make a net positive contribution towards the SDGs. The SDGs were adopted by the United Nations in 2015 as a universal call to action to end poverty, protect the planet and ensure that by 2030 all people enjoy peace and prosperity. The Investment Adviser defines positive contribution to the SDGs as a net positive aggregate alignment score across all the SDGs (i.e., scores measuring positive contribution to individual SDGs have to, in total, be greater than the total of any negative contribution scores), based on third-party data. The Investment Adviser will also only include issuers which have sufficient positive SDG alignment (in the Investment



Adviser's view) with at least one individual SDG, and which do not have any material misalignments (in the Investment Adviser's view) on any of the SDGs.

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

● ***How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?***

The Fund's sustainable investments aim not to cause significant harm to any environmental or social objective, by:

- avoiding investments in issuers that violate minimum social safeguards; and
- by the Fund excluding issuers which breach thresholds set by the Investment Adviser relating to the principal adverse impact ("PAI") indicators which the Investment Adviser is required to consider by the EU Sustainable Finance Disclosure Regulation ("SFDR") rules, and which are relevant to the investment.

This assessment is conducted using in-house proprietary as well as third-party research on the sustainability characteristics of the Fund's holdings.

– ***How have the indicators for adverse impacts on sustainability factors been taken into account?***

The "do no significant harm" methodology applied by the Investment Adviser on sustainable investments seeks to exclude investments that cause harm to any of the PAI indicators (listed below) which are mandatory for the Investment Adviser to consider under the EU SFDR rules, and which are relevant to the investment.

PAI indicators:

**Investee companies**

1. GHG emissions
2. Carbon Footprint
3. GHG intensity of investee companies
4. Exposure to companies active in the fossil sector
5. Share of non-renewable energy consumption and production
6. Energy consumption intensity per high impact climate sector
7. Activities negatively affecting biodiversity sensitive areas
8. Emissions to water
9. Hazardous waste ratio
10. Violations of UN Global Compact and OECD
11. Lack of processes and compliance mechanisms to monitor compliance with the UNGC and OECD
12. Unadjusted gender pay gap
13. Board gender diversity
14. Exposure to controversial weapons

The Investment Adviser has determined specific metrics and quantitative thresholds for what constitutes significant harm to screen PAI indicators that are relevant to the investment, using third-party data. The thresholds are set: (i) on an absolute value basis; (ii) on a relative basis in the context of the investment universe; or (iii) using pass/fail scores. Different metrics or thresholds may apply to issuers located in developed markets and in emerging markets, respectively. This is intended to reflect the different extent to which the Investment Adviser deems that meeting minimum sustainability standards in these markets is currently achievable. In addition, different relative thresholds may apply to similar indicators: for example, the Investment Adviser currently applies a lower threshold to determine significant adverse impact with respect to scope 3 emissions intensity as compared to scope 1 and 2 emissions intensity. This is because: (i) companies have less control over their indirect emissions; and (ii) data estimates for scope 3 emissions, which

currently prevail over reported data compared to scope 1 and 2 emissions, may result in a less accurate PAI assessment.

The Investment Adviser may use reasonable proxy indicators sourced from third parties to address the current lack of data for certain PAI indicators. The Investment Adviser's use of proxy indicators will be kept under review, and will be replaced by PAI data from third-party data providers when the Investment Adviser determines that sufficiently reliable data has become available.

The Investment Adviser generally conducts the PAI assessment at the issuer level. However, where appropriate the assessment may be done at the security level in whole or in part. For instance, in the case of Sustainable Bonds, as defined above, the PAI indicators that are directly related to the sustainability factors targeted by the bond's use of proceeds will be assessed at the security level, through the Investment Adviser's proprietary Sustainable Bond Evaluation Framework. As an example, the Fund may invest in a Green Bond issued by a utility company that has a negative assessment under the PAI indicators related to GHG emissions and/or GHG intensity, as long as the Investment Adviser evaluates that the issuer has a credible strategy to reduce its GHG emissions and the Green Bond specifically contributes towards such goal. Other PAI indicators that are unrelated to the Sustainable Bond's use of proceeds are assessed at the issuer level.

The Fund's PAI assessment is supported, on a qualitative basis, by the Investment Adviser's engagement with selected issuers on their corporate governance practices, as well as on other material sustainability issues related to the SDGs, in line with the Investment Adviser's Fixed Income Engagement Strategy, available on [www.morganstanley.com/im](http://www.morganstanley.com/im).

– *How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:*

The Fund's sustainable investments exclude issuers which have experienced very severe controversies that are deemed to violate the UN Global Compact, the UN Guiding Principles on Business and Human Rights, or the ILO Fundamental Principles, and issuers with very severe controversies related to violations of the OECD Guidelines for Multinational Enterprises. This screening is done using third-party data.

*The EU Taxonomy sets out a "do not significant harm" principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.*

*The "do no significant harm" principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.*

*Any other sustainable investments must also not significantly harm any environmental or social objectives.*

*Regulation requires that this document include these statements. However, for the avoidance of doubt, this Fund does not: (i) take into account the EU criteria for environmentally sustainable economic activities in the EU Taxonomy; or (ii) calculate its portfolio alignment with the EU Taxonomy. As such, the Fund is 0% aligned with the EU Taxonomy. The "do no significant harm" principle applies only to the portion of the Fund's investments that are sustainable investments.*



## Does this financial product consider principal adverse impacts on sustainability factors?

- Yes  
 No

The Fund considers all of the mandatory PAI on sustainability factors which are relevant to the investment for the portion allocated to sustainable investments, as described above in response to the question, “How have the indicators for adverse impacts on sustainability factors been taken into account?”

The portion of the Fund that is not made of sustainable investments considers the PAI only in part through the Fund’s exclusionary criteria, as follows:

- The Fund excludes issuers which derive any revenue from thermal coal mining and extraction. The Fund therefore partly considers the PAI indicator 4: exposure to companies active in the fossil fuel sector.
- The Fund excludes issuers which derive any revenue from controversial weapons manufacturing or retail. The Fund therefore considers in whole the PAI indicator 14: exposure to controversial weapons.

The Fund will make information available on how it has incorporated the PAIs into the Fund in its periodic reports to investors.



## What investment strategy does this financial product follow?

The 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.

In addition to the ESG considerations described in this summary on a binding basis, the Fund integrates ESG considerations in the investment decision-making process to support its environmental and social characteristics on a non-binding basis, based on the Investment Adviser’s in-house research and methodologies and on third-party data.

The investment process is subject to regular review, as part of a control and monitoring framework implemented by the Investment Adviser. The Investment Adviser’s Compliance, Risk and Portfolio Surveillance teams collaborate with the investment team to conduct regular portfolio/performance reviews and systemic checks to ensure compliance with portfolio investment objectives and environmental and social characteristics, taking into account changing market conditions, information and strategy developments.

- ***What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?***

The binding elements of the investment strategy are described in the table below.

The criteria are implemented and monitored by the Investment Adviser using a combination of third-party data and in-house research.

**The investment strategy** guides investment decisions based on factors such as investment objectives and risk tolerance.

Binding criteria	
<b>The Fund will not invest in corporate issuers which:</b>	<p><b><u>Derive any revenue from any of the following activities:</u></b></p> <ul style="list-style-type: none"> <li>• Controversial weapons manufacturing or retail (anti-personnel landmines, cluster munitions, biological or chemical weapons, and nuclear weapons);</li> <li>• Civilian firearms manufacturing or retail;</li> <li>• Tobacco manufacturing; or</li> </ul> <p><b><u>Derive more than 5% revenue from any of the following activities:</u></b> Thermal coal mining and extraction. The Fund may, as an exception, invest in labelled Sustainable Bonds issued by fossil fuel companies, which are intended to raise proceeds specifically for projects that promote positive environmental contributions mitigating the adverse sustainability impact of coal, such as renewable energy or energy efficiency, based on information available in the bond issuance documentation.</p>
<b>Sustainable investments</b>	The Fund will maintain a minimum of 5% of sustainable investments, which meet the criteria as set out in response to the question, “ <i>What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?</i> ”

The Investment Adviser may decide to implement additional restrictions to the Fund, and such new restrictions will be disclosed in the Fund’s SFDR Website Disclosure.

**Good governance** practices include sound management structures, employee relations, remuneration of staff and tax compliance.

● ***What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?***

The Fund does not target a specific reduction rate of the scope of investments.

● ***What is the policy to assess good governance practices of the investee companies?***

As part of its bottom-up, fundamental research process, the Investment Adviser systematically incorporates the assessment of an issuer’s corporate governance and business practices, including but not limited to evidence of sound management structures and employee relations, fair remuneration of staff, and tax compliance, in order to ensure that every investee company follows good governance practices.

This is done through the monitoring of data on governance-related, as well as on other environmental and/or social factors and controversies, sourced from third party providers, through in-house research, and through engagement with the management of selected issuers on corporate governance and disclosure issues.

In addition, the Fund’s sustainable investments exclude any company that is involved in very severe governance-related controversies.



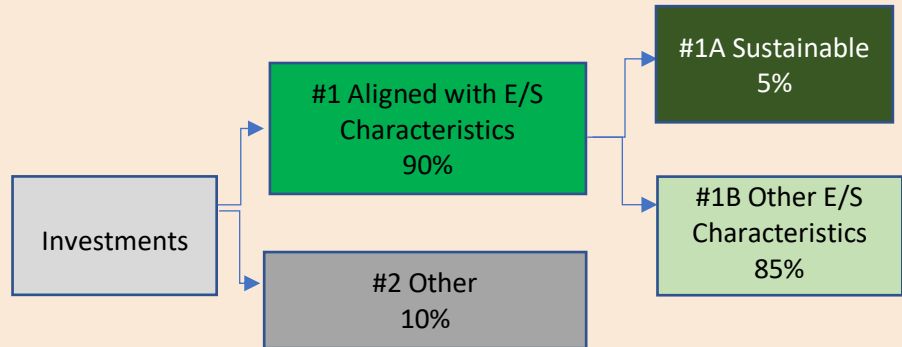
### Asset allocation

describes the share of investments in specific assets.

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.

## What is the asset allocation planned for this financial product?



**#1 Aligned with E/S characteristics** includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

**#2 Other** includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

The category **#1 Aligned with E/S characteristics** covers:

- The sub-category **#1A Sustainable** covers sustainable investments with environmental or social objectives.
- The sub-category **#1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.

The exclusions (as described above) will be applied to at least 90% of the portfolio, however the Fund also expects to allocate a minimum of 5% of its assets to sustainable investments. Among these sustainable investments, the Fund commits to make a minimum of 1% of sustainable investments with an environmental objective and 1% of sustainable investments with a social objective which can both vary independently at any time.

A maximum of 10% of the Fund's assets may be invested in hedging and/or cash instruments for efficient portfolio management purposes, which do not align with any environmental or social characteristics.

These percentages are measured according to the value of the investments.

### ● **How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?**

Derivatives may be used by the Fund for investment or efficient portfolio management (including hedging) purposes only. These instruments are not used to attain the environmental or social characteristics of the Fund.



## To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

Not applicable – the Investment Adviser does not take account of the EU Taxonomy in its management of the Fund and as such the Fund’s sustainable investments do not take into account the criteria for environmentally sustainable economic activities under the EU Taxonomy.

### Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy<sup>1</sup>?

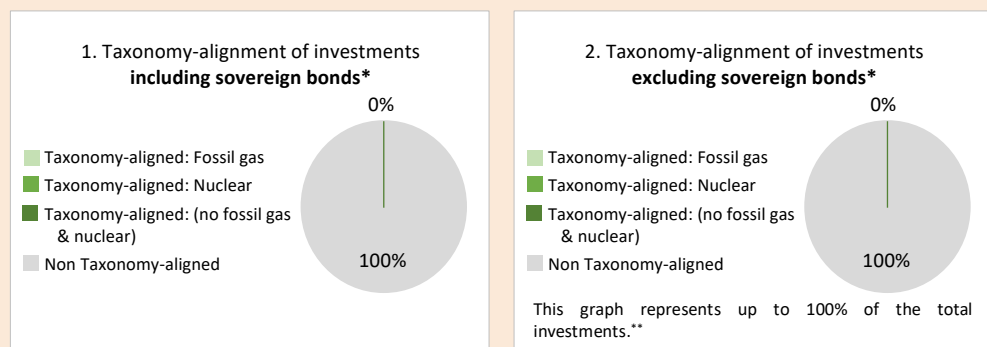
- Yes:  
 In fossil gas     In nuclear energy  
 No

To comply with EU Taxonomy, the criteria for **fossil gas** include limitations on emission and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

**Transitional activities** are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

*The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.*



\* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures.

\*\*The proportion of total investments shown in this graph is purely indicative and may vary over time. As the Fund does not commit to making sustainable investments aligned with the EU Taxonomy, the proportion of any sovereign exposure in the Fund's portfolio will not impact the proportion of sustainable investments aligned with the EU Taxonomy included in the graph.

### What is the minimum share of investments in transitional and enabling activities?

Not applicable - Although the Fund commits to invest in sustainable investments within the meaning of the SFDR, there is no commitment to a minimum share of investments in transitional and enabling activities.

<sup>1</sup> Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objective – see explanatory note in the left-hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.



are sustainable investments with an environmental objective that **do not take into account** the criteria for environmentally sustainable economic activities under the EU Taxonomy.

### What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?

The Fund intends to make a minimum of 5% sustainable investments, as defined under the SFDR, with a combination of environmental and social objectives, as described above. Among these, the Fund commits to make a minimum of 1% of sustainable investments with an environmental objective and 1% of sustainable investments with a social objective which can both vary independently at any time. These sustainable investments will represent at least 5% of the portfolio holdings on an aggregated basis.

The Fund's sustainable investments with an environmental objective **do not take into account the criteria** for environmentally sustainable economic activities under the EU Taxonomy.

Although some of these sustainable investments may be Taxonomy aligned, due to lack of available data regarding the Taxonomy alignment of the underlying securities, the Investment Adviser has not been able to confirm whether these investments are in fact Taxonomy aligned and accordingly will not consider them as such in calculations until this data is reported on or otherwise becomes more reliable. As such, the Investment Adviser uses its own methodology to determine whether certain investments are sustainable in accordance with the SFDR sustainable investment test, and then invests in such assets for the Fund.



### What is the minimum share of socially sustainable investments?

As explained above, the Fund may make sustainable investments which contribute to either environmental or social objectives. Among these, the Fund commits to make a minimum of 1% of sustainable investments with an environmental objective and 1% of sustainable investments with a social objective which can both vary independently at any time. These sustainable investments will represent at least 5% of the portfolio holdings on an aggregated basis.



### What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?

The Fund may have investments in hedging instruments for efficient portfolio management and in cash as ancillary liquidity. These instruments are included in the “#2 Other” category and are not subject to environmental and/or social screening or any minimum environmental or social safeguards.



**Reference benchmarks** are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.

### Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?

Not applicable



### Where can I find more product specific information online?

More product-specific information can be found on the website:

[https://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite\\_msinvf\\_usdollarshortdurationhighyieldbond\\_en.pdf](https://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite_msinvf_usdollarshortdurationhighyieldbond_en.pdf)

**Pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852**

**Product name:**  
US High Yield Bond Fund

**Legal entity identifier:**  
54930007SWUXWYEHVP32

## Environmental and/or social characteristics

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**.

That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

Does this financial product have a sustainable investment objective?	
●● <input type="checkbox"/> Yes	●● <input checked="" type="checkbox"/> No
<input type="checkbox"/> It will make a minimum of <b>sustainable investments with an environmental objective: ___%</b> <ul style="list-style-type: none"> <li><input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> </ul>	<input checked="" type="checkbox"/> It <b>promotes Environmental/Social (E/S) characteristics</b> and while it does not have as its objective a sustainable investment, it will have a minimum proportion of <u>5</u> % of sustainable investments <ul style="list-style-type: none"> <li><input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input checked="" type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> <li><input checked="" type="checkbox"/> with a social objective</li> </ul>
<input type="checkbox"/> It will make a minimum of <b>sustainable investments with a social objective: ___%</b>	<input type="checkbox"/> It promotes E/S characteristics, but <b>will not make any sustainable investments</b>





## What environmental and/or social characteristics are promoted by this financial

The Fund promotes the environmental characteristic of climate change mitigation by excluding investments in certain types of fossil fuels. In addition, the Fund promotes the social characteristic of avoiding investments in certain activities which can cause harm to human health and wellbeing.

Further detail on the nature of these exclusions is set out below (in response to the question, “*What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?*”).

The Fund also aims to make a minimum of 5% sustainable investments in:

- Corporate issuers whose business practices, products or solutions, make a net positive contribution towards United Nations’ Sustainable Development Goals (“SDGs”); or
- Sustainable Bonds which make a positive environmental or social contribution through their use of proceeds, as explained in response to the question below, “*What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?*”.

The Fund has not designated a reference benchmark for the purpose of attaining its environmental or social characteristics.

**Sustainability indicators** measure how the environmental or social characteristics promoted by the financial product are attained.

### ● ***What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?***

The sustainability indicator used to measure the attainment of the Fund’s environmental and social characteristics is the Fund’s exposure, in percentage market value, to issuers that violate any of the exclusion criteria. Additional details on the Fund’s exclusions criteria and methodology are provided below in response to the question, “*What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?*”.

### ● ***What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?***

The Fund’s sustainable investments will fall within one of the following categories:

- Bonds from corporate issuers whose business practices, products or solutions, make a net positive contribution towards the SDGs. The SDGs were adopted by the United Nations in 2015 as a universal call to action to end poverty, protect the planet and ensure that by 2030 all people enjoy peace and prosperity. The Investment Adviser defines positive contribution to the SDGs as a net positive aggregate alignment score across all the SDGs (i.e., scores measuring positive contribution to individual SDGs have to, in total, be greater than the total of any negative contribution scores), based on third-party data. The Investment Adviser will also only include issuers which have sufficient positive SDG alignment (in the Investment Adviser’s view) with at least one individual SDG, and which do not have any material misalignments (in the Investment Adviser’s view) on any of the SDGs.
- Green, Social or Sustainability Bonds (“**Sustainable Bonds**”), as labelled in the securities’ documentation, where the issuer commits to allocate the proceeds to projects making a positive environmental or social contribution. This includes, but is not limited to, bonds that align with the International Capital Market Association (ICMA)’s Green Bond Principles, Social Bond Principles, and Sustainability Bond Guidelines. Sustainable Bonds mobilise financing directly towards a multiplicity of environmental and social projects whose focus spans across a number of sustainability objectives. Examples include, but are not limited to, financing for renewable energy, energy efficiency, clean transportation, affordable housing, and financial

inclusion projects. The specific objectives to which the Sustainable Bonds contribute depend on the eligible environmental and social project categories of each security.

● ***How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?***

The Fund’s sustainable investments aim not to cause significant harm to any environmental or social objective, by:

- avoiding investments in issuers that violate minimum social safeguards; and
- by the Fund excluding issuers which breach thresholds set by the Investment Adviser relating to the principal adverse impact (“**PAI**”) indicators which the Investment Adviser is required to consider by the EU Sustainable Finance Disclosure Regulation (“**SFDR**”) rules, and which are relevant to the investment.

This assessment is conducted using in-house proprietary as well as third-party research on the sustainability characteristics of the Fund’s holdings.

– ***How have the indicators for adverse impacts on sustainability factors been taken into account?***

The “do no significant harm” methodology applied by the Investment Adviser on sustainable investments seeks to exclude investments that cause harm to any of the PAI indicators (listed below) which are mandatory for the Investment Adviser to consider under the EU SFDR rules, and which are relevant to the investment.

PAI indicators:

**Investee companies**

1. GHG emissions
2. Carbon Footprint
3. GHG intensity of investee companies
4. Exposure to companies active in the fossil sector
5. Share of non-renewable energy consumption and production
6. Energy consumption intensity per high impact climate sector
7. Activities negatively affecting biodiversity sensitive areas
8. Emissions to water
9. Hazardous waste ratio
10. Violations of UN Global Compact and OECD
11. Lack of processes and compliance mechanisms to monitor compliance with the UNGC and OECD
12. Unadjusted gender pay gap
13. Board gender diversity
14. Exposure to controversial weapons

The Investment Adviser has determined specific metrics and quantitative thresholds for what constitutes significant harm to screen PAI indicators that are relevant to the investment, using third-party data . The thresholds are set: (i) on an absolute value basis; (ii) on a relative basis in the context of the investment universe; or (iii) using pass/fail scores. Different metrics or thresholds may apply to issuers located in developed markets and in emerging markets, respectively. This is intended to reflect the different extent to which the Investment Adviser deems that meeting minimum sustainability standards in these markets is currently achievable. In addition, different relative thresholds may apply to similar indicators: for example, the Investment Adviser currently applies a lower threshold to determine significant adverse impact with respect to scope 3 emissions intensity as compared to scope 1 and 2 emissions intensity. This is because: (i) companies have less control over their indirect emissions; and (ii) data estimates for scope 3 emissions, which

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

currently prevail over reported data compared to scope 1 and 2 emissions, may result in a less accurate PAI assessment.

The Investment Adviser may use reasonable proxy indicators sourced from third parties to address the current lack of data for certain PAI indicators. The Investment Adviser's use of proxy indicators will be kept under review, and will be replaced by PAI data from third-party data providers when the Investment Adviser determines that sufficiently reliable data has become available.

The Investment Adviser generally conducts the PAI assessment at the issuer level. However, where appropriate the assessment may be done at the security level in whole or in part. For instance, in the case of Sustainable Bonds, as defined above, the PAI indicators that are directly related to the sustainability factors targeted by the bond's use of proceeds will be assessed at the security level, through the Investment Adviser's proprietary Sustainable Bond Evaluation Framework. As an example, the Fund may invest in a Green Bond issued by a utility company that has a negative assessment under the PAI indicators related to GHG emissions and/or GHG intensity, as long as the Investment Adviser evaluates that the issuer has a credible strategy to reduce its GHG emissions, and the Green Bond specifically contributes towards such goal. Other PAI indicators that are unrelated to the Sustainable Bond's use of proceeds are assessed at the issuer level.

The Fund's PAI assessment is supported, on a qualitative basis, by the Investment Adviser's engagement with selected issuers on their corporate governance practices, as well as on other material sustainability issues related to the SDGs, in line with the Investment Adviser's Fixed Income Engagement Strategy, available on [www.morganstanley.com/im](http://www.morganstanley.com/im).

– *How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:*

The Fund's sustainable investments exclude issuers which have experienced very severe controversies that are deemed to violate the UN Global Compact, the UN Guiding Principles on Business and Human Rights, or the ILO Fundamental Principles, and issuers with very severe controversies related to violations of the OECD Guidelines for Multinational Enterprises. This screening is done using third-party data.

*The EU Taxonomy sets out a "do not significant harm" principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.*

*The "do no significant harm" principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.*

*Any other sustainable investments must also not significantly harm any environmental or social objectives.*

Regulation requires that this document include these statements. However, for the avoidance of doubt, this Fund does not: (i) take into account the EU criteria for environmentally sustainable economic activities in the EU Taxonomy; or (ii) calculate its portfolio alignment with the EU Taxonomy. As such, the Fund is 0% aligned with the EU Taxonomy. The "do no significant harm" principle applies only to the portion of the Fund's investments that are sustainable investments.



## Does this financial product consider principal adverse impacts on sustainability factors?

- Yes  
 No

The Fund considers all of the mandatory PAI on sustainability factors which are relevant to the investment for the portion allocated to sustainable investments, as described above in response to the question, *“How have the indicators for adverse impacts on sustainability factors been taken into account?”*

The portion of the Fund that is not made of sustainable investments considers the PAI only in part through the Fund’s exclusionary criteria, as follows:

- The Fund excludes issuers which derive any revenue from thermal coal mining and extraction. The Fund therefore partly considers the PAI indicator 4: exposure to companies active in the fossil fuel sector.
- The Fund excludes issuers which derive any revenue from controversial weapons manufacturing or retail. The Fund therefore considers in whole the PAI indicator 14: exposure to controversial weapons.

The Fund will make information available on how it has incorporated the PAIs into the Fund in its periodic reports to investors.



## What investment strategy does this financial product follow?

The Fund’s investment objective is to provide an attractive rate of total return, measured in US Dollars, through investing primarily in high yield and unrated US Dollar denominated Fixed Income Securities while reducing exposure to sustainability risks through exclusionary screening of selected fossil fuels and of activities which can cause dangers to human health and wellbeing.

In addition to the ESG considerations described in this summary on a binding basis, the Fund integrates ESG considerations in the investment decision-making process to support its environmental and social characteristics on a non-binding basis, based on the Investment Adviser’s in-house research and methodologies and on third-party data. The investment process is subject to regular review, as part of a control and monitoring framework implemented by the Investment Adviser. The Investment Adviser’s Compliance, Risk and Portfolio Surveillance teams collaborate with the investment team to conduct regular portfolio/performance reviews and systemic checks to ensure compliance with portfolio investment objectives and environmental and social characteristics, taking into account changing market conditions, information and strategy developments.

- ***What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?***

The binding elements of the investment strategy are described in the table below.

The criteria are implemented and monitored by the Investment Adviser using a combination of third-party data and in-house research.

**The investment strategy** guides investment decisions based on factors such as investment objectives and risk tolerance.

<b>Binding criteria</b>	
<b>The Fund will not invest in corporate issuers which:</b>	<p><b>Derive any revenue from any of the following activities:</b></p> <ul style="list-style-type: none"> <li>• Controversial weapons manufacturing or retail (anti-personnel landmines, cluster munitions, biological or chemical weapons, and nuclear weapons);</li> <li>• Civilian firearms manufacturing or retail;</li> <li>• Tobacco manufacturing; or</li> </ul> <p><b>Derive more than 5% revenue from any of the following activities:</b></p> <ul style="list-style-type: none"> <li>• Thermal coal mining and extraction. The Fund may, as an exception, invest in labelled Sustainable Bonds issued by fossil fuel companies, which are intended to raise proceeds specifically for projects that promote positive environmental contributions mitigating the adverse sustainability impact of coal, such as renewable energy or energy efficiency, based on information available in the bond issuance documentation.</li> </ul>
<b>Sustainable investments</b>	The Fund will maintain a minimum of 5% of sustainable investments, which meet the criteria as set out in response to the question, <i>“What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?”</i>

The Investment Adviser may decide to implement additional restrictions to the Fund, and such new restrictions will be disclosed in the Fund’s SFDR Website Disclosure.

**Good governance** practices include sound management structures, employee relations, remuneration of staff and tax compliance.

● ***What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?***

The Fund does not target a specific reduction rate of the scope of investments.

● ***What is the policy to assess good governance practices of the investee companies?***

As part of its bottom-up, fundamental research process, the Investment Adviser systematically incorporates the assessment of an issuer’s corporate governance and business practices, including but not limited to evidence of sound management structures and employee relations, fair remuneration of staff, and tax compliance, in order to ensure that every investee company follows good governance practices.

This is done through the monitoring of data on governance-related, as well as on other environmental and/or social factors and controversies, sourced from third party providers, through in-house research, and through engagement with the management of selected issuers on corporate governance and disclosure issues.

In addition, the Fund’s sustainable investments exclude any company that is involved in very severe governance-related controversies.



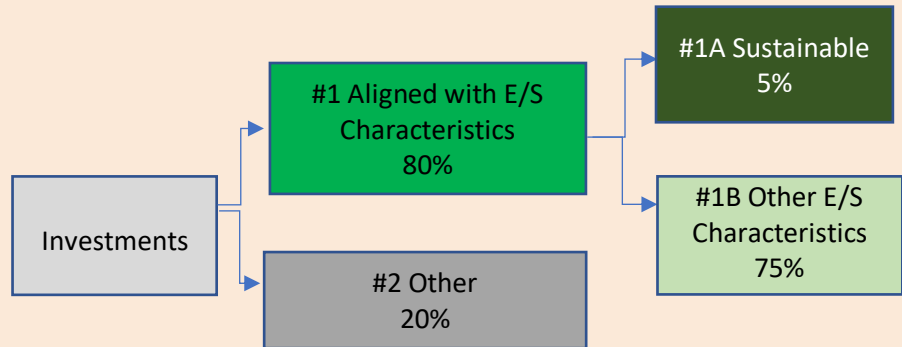
### Asset allocation

describes the share of investments in specific assets.

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.

## What is the asset allocation planned for this financial product?



**#1 Aligned with E/S characteristics** includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

**#2 Other** includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

The category **#1 Aligned with E/S characteristics** covers:

- The sub-category **#1A Sustainable** covers sustainable investments with environmental or social objectives.
- The sub-category **#1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.

The exclusions (as described above) will be applied to at least 80% of the portfolio, of which the Fund also expects to allocate a minimum of 5% of its assets to sustainable investments. Among these sustainable investments, the Fund commits to make a minimum of 1% of sustainable investments with an environmental objective and 1% of sustainable investments with a social objective which can both vary independently at any time.

A maximum of 20% of the Fund's assets may be invested in hedging and/or cash instruments for efficient portfolio management purposes, which do not align with any environmental or social characteristics.

These percentages are measured according to the value of the investments.

### ● **How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?**

Derivatives may be used by the Fund for investment or efficient portfolio management (including hedging) purposes only. These instruments are not used to attain the environmental or social characteristics of the Fund.



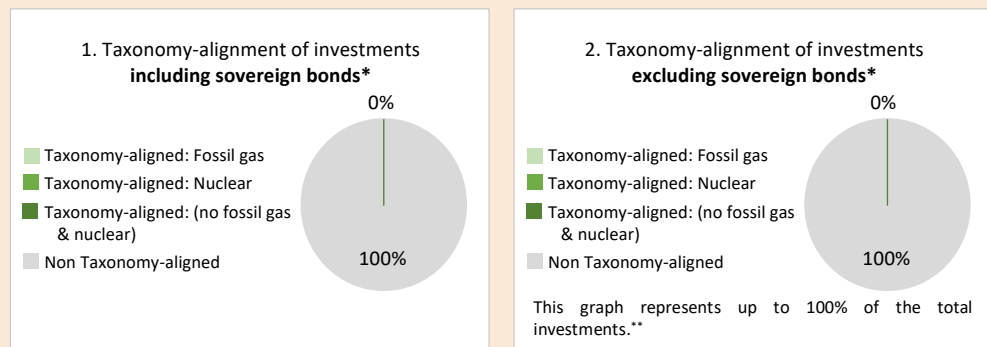
## To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

Not applicable – the Investment Adviser does not take account of the EU Taxonomy in its management of the Fund and as such the Fund’s sustainable investments do not take into account the criteria for environmentally sustainable economic activities under the EU Taxonomy.

● **Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy<sup>1</sup>?**

- Yes:  
 In fossil gas     In nuclear energy  
 No

*The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.*



\* For the purpose of these graphs, ‘sovereign bonds’ consist of all sovereign exposures.  
 \*\*The proportion of total investments shown in this graph is purely indicative and may vary over time. As the Fund does not commit to making sustainable investments aligned with the EU Taxonomy, the proportion of any sovereign exposure in the Fund’s portfolio will not impact the proportion of sustainable investments aligned with the EU Taxonomy included in the graph.

● **What is the minimum share of investments in transitional and enabling activities?**

Not applicable - Although the Fund commits to invest in sustainable investments within the meaning of the SFDR, there is no commitment to a minimum share of investments in transitional and enabling activities.

To comply with EU Taxonomy, the criteria for **fossil gas** include limitations on emission and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

**Transitional activities** are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

<sup>1</sup> Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change (“climate change mitigation”) and do not significantly harm any EU Taxonomy objective – see explanatory note in the left-hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.



are sustainable investments with an environmental objective that **do not take into account** the criteria for environmentally sustainable economic activities under the EU Taxonomy.

### What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?

The Fund intends to make a minimum of 5% sustainable investments, as defined under the SFDR, with a combination of environmental and social objectives, as described above. Among these, the Fund commits to make a minimum of 1% of sustainable investments with an environmental objective and 1% of sustainable investments with a social objective which can both vary independently at any time. These sustainable investments will represent at least 5% of the portfolio holdings on an aggregated basis.

The Fund's sustainable investments with an environmental objective **do not take into account the criteria** for environmentally sustainable economic activities under the EU Taxonomy.

Although some of these sustainable investments may be Taxonomy aligned, due to lack of available data regarding the Taxonomy alignment of the underlying securities, the Investment Adviser has not been able to confirm whether these investments are in fact Taxonomy aligned and accordingly will not consider them as such in calculations until this data is reported on or otherwise becomes more reliable. As such, the Investment Adviser uses its own methodology to determine whether certain investments are sustainable in accordance with the SFDR sustainable investment test, and then invests in such assets for the Fund.



### What is the minimum share of socially sustainable investments?

As explained above, the Fund may make sustainable investments which contribute to either environmental or social objectives. Among these, the Fund commits to make a minimum of 1% of sustainable investments with an environmental objective and 1% of sustainable investments with a social objective which can both vary independently at any time. These sustainable investments will represent at least 5% of the portfolio holdings on an aggregated basis.



### What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?

The Fund may have investments in hedging instruments for efficient portfolio management and in cash as ancillary liquidity. These instruments are included in the “#2 Other” category and are not subject to environmental and/or social screening or any minimum environmental or social safeguards.



### Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?

Not applicable

**Reference benchmarks** are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.





### **Where can I find more product specific information online?**

More product-specific information can be found on the website:

[https://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite\\_msinvf\\_sustainableushighyield\\_en.pdf](https://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite_msinvf_sustainableushighyield_en.pdf)

**Pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852**

**Product name:**

US High Yield Middle Market Bond Fund

**Legal entity identifier:**

5493001L587BVK8II004

## Environmental and/or social characteristics

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**.

That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

**Does this financial product have a sustainable investment objective?**

**Yes**

**No**

It will make a minimum of **sustainable investments with an environmental objective: \_\_\_%**

- in economic activities that qualify as environmentally sustainable under the EU Taxonomy
- in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

It will make a minimum of **sustainable investments with a social objective: \_\_\_%**

It **promotes Environmental/Social (E/S) characteristics** and while it does not have as its objective a sustainable investment, it will have a minimum proportion of 5 % of sustainable investments

- with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy
- with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy
- with a social objective

It promotes E/S characteristics, but **will not make any sustainable investments**



## What environmental and/or social characteristics are promoted by this financial

The Fund promotes the environmental characteristic of climate change mitigation by excluding investments in certain types of fossil fuels. In addition, the Fund promotes the social characteristic of avoiding investments in certain activities which can cause harm to human health and wellbeing.

Further detail on the nature of these exclusions is set out below (in response to the question, *“What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?”*).

The Fund also aims to make a minimum of 5% sustainable investments in:

- Corporate issuers whose business practices, products or solutions, make a net positive contribution towards United Nations’ Sustainable Development Goals (“SDGs”); or
- Sustainable Bonds which make a positive environmental or social contribution through their use of proceeds, as explained in response to the question below, *“What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?”*.

The Fund has not designated a reference benchmark for the purpose of attaining its environmental or social characteristics.

**Sustainability indicators** measure how the environmental or social characteristics promoted by the financial product are attained.

### ● **What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?**

The sustainability indicator used to measure the attainment of the Fund’s environmental and social characteristics is the Fund’s exposure, in percentage market value, to issuers that violate any of the exclusion criteria. Additional details on the Fund’s exclusions criteria and methodology are provided below in response to the question, *“What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?”*

### ● **What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?**

The Fund’s sustainable investments will fall within one of the following categories:

- Green, Social or Sustainability Bonds (“**Sustainable Bonds**”), as labelled in the securities’ documentation, where the issuer commits to allocate the proceeds to projects making a positive environmental or social contribution. This includes, but is not limited to, bonds that align with the International Capital Market Association (ICMA)’s Green Bond Principles, Social Bond Principles, and Sustainability Bond Guidelines. Sustainable Bonds mobilise financing directly towards a multiplicity of environmental and social projects whose focus spans across a number of sustainability objectives. Examples include, but are not limited to, financing for renewable energy, energy efficiency, clean transportation, affordable housing, and financial inclusion projects. The specific objectives to which the Sustainable Bonds contribute depend on the eligible environmental and social project categories of each security.
- Bonds from corporate issuers whose business practices, products or solutions, make a net positive contribution towards the SDGs. The SDGs were adopted by the United Nations in 2015 as a universal call to action to end poverty, protect the planet and ensure that by 2030 all people enjoy peace and prosperity. The Investment Adviser defines positive contribution to the SDGs as a net positive aggregate alignment score across all the SDGs (i.e., scores measuring positive contribution to individual SDGs have to, in total, be greater than the total of any negative contribution scores), based on third-party data. The Investment

Adviser will also only include issuers which have sufficient positive SDG alignment (in the Investment Adviser's view) with at least one individual SDG, and which do not have any material mis-alignments (in the Investment Adviser's view) on any of the SDGs.

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

● ***How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?***

The Fund's sustainable investments aim not to cause significant harm to any environmental or social objective, by:

- avoiding investments in issuers that violate minimum social safeguards; and
- excluding issuers which breach thresholds set by the Investment Adviser relating to the principal adverse impact ("PAI") indicators which the Investment Adviser is required to consider by the EU Sustainable Finance Disclosure Regulation ("SFDR") rules, and which are relevant to the investment.

This assessment is conducted using in-house proprietary as well as third-party research on the sustainability characteristics of the Fund's holdings.

– ***How have the indicators for adverse impacts on sustainability factors been taken into account?***

The "do no significant harm" methodology applied by the Investment Adviser on sustainable investments seeks to exclude investments that cause harm to any of the PAI indicators (listed below) which are mandatory for the Investment Adviser to consider under the EU SFDR rules, and which are relevant to the investment.

PAI indicators:

**Investee companies**

1. GHG emissions
2. Carbon Footprint
3. GHG intensity of investee companies
4. Exposure to companies active in the fossil sector
5. Share of non-renewable energy consumption and production
6. Energy consumption intensity per high impact climate sector
7. Activities negatively affecting biodiversity sensitive areas
8. Emissions to water
9. Hazardous waste ratio
10. Violations of UN Global Compact and OECD
11. Lack of processes and compliance mechanisms to monitor compliance with the UNGC and OECD
12. Unadjusted gender pay gap
13. Board gender diversity
14. Exposure to controversial weapons

The Investment Adviser has determined specific metrics and quantitative thresholds for what constitutes significant harm to screen PAI indicators that are relevant to the investment, using third-party data. The thresholds are set: (i) on an absolute value basis; (ii) on a relative basis in the context of the investment universe; or (iii) using pass/fail scores. Different metrics or thresholds may apply to issuers located in developed markets and in emerging markets, respectively. This is intended to reflect the different extent to which the Investment Adviser deems that meeting minimum sustainability standards in these markets is currently achievable. In addition, different relative thresholds may apply to similar indicators: for example, the Investment Adviser currently applies a lower threshold to determine significant adverse impact with respect to scope 3 emissions intensity as compared to scope 1 and 2 emissions intensity. This is because: (i) companies have less

control over their indirect emissions; and (ii) data estimates for scope 3 emissions, which currently prevail over reported data compared to scope 1 and 2 emissions, may result in a less accurate PAI assessment.

The Investment Adviser may use reasonable proxy indicators sourced from third parties to address the current lack of data for certain PAI indicators. The Investment Adviser's use of proxy indicators will be kept under review, and will be replaced by PAI data from third-party data providers when the Investment Adviser determines that sufficiently reliable data has become available.

The Investment Adviser generally conducts the PAI assessment at the issuer level. However, where appropriate the assessment may be done at the security level in whole or in part. For instance, in the case of Sustainable Bonds, as defined above, the PAI indicators that are directly related to the sustainability factors targeted by the bond's use of proceeds will be assessed at the security level, through the Investment Adviser's proprietary Sustainable Bond Evaluation Framework. As an example, the Fund may invest in a Green Bond issued by a utility company that has a negative assessment under the PAI indicators related to GHG emissions and/or GHG intensity, as long as the Investment Adviser evaluates that the issuer has a credible strategy to reduce its GHG emissions and the Green Bond specifically contributes towards such goal. Other PAI indicators that are unrelated to the Sustainable Bond's use of proceeds are assessed at the issuer level.

The Fund's PAI assessment is supported, on a qualitative basis, by the Investment Adviser's engagement with selected issuers on their corporate governance practices, as well as on other material sustainability issues related to the SDGs, in line with the Investment Adviser's Fixed Income Engagement Strategy, available on [www.morganstanley.com/im](http://www.morganstanley.com/im).

– *How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:*

The Fund's sustainable investments exclude issuers which have experienced very severe controversies that are deemed to violate the UN Global Compact, the UN Guiding Principles on Business and Human Rights, or the ILO Fundamental Principles, and issuers with very severe controversies related to violations of the OECD Guidelines for Multinational Enterprises. This screening is done using third-party data.

*The EU Taxonomy sets out a "do not significant harm" principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.*

*The "do no significant harm" principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.*

*Any other sustainable investments must also not significantly harm any environmental or social objectives.*

*Regulation requires that this document include these statements. However, for the avoidance of doubt, this Fund does not: (i) take into account the EU criteria for environmentally sustainable economic activities in the EU Taxonomy; or (ii) calculate its portfolio alignment with the EU Taxonomy. As such, the Fund is 0% aligned with the EU Taxonomy. The "do no significant harm" principle applies only to the portion of the Fund's investments that are sustainable investments.*



## Does this financial product consider principal adverse impacts on sustainability factors?

- Yes  
 No

The Fund considers all of the mandatory PAI on sustainability factors which are relevant to the investment for the portion allocated to sustainable investments, as described above in response to the question, “How have the indicators for adverse impacts on sustainability factors been taken into account?”

The portion of the Fund that is not made of sustainable investments considers the PAI only in part through the Fund’s exclusionary criteria, as follows:

- The Fund excludes issuers which derive any revenue from thermal coal mining and extraction. The Fund therefore partly considers the PAI indicator 4: exposure to companies active in the fossil fuel sector.
- The Fund excludes issuers which derive any revenue from controversial weapons manufacturing or retail. The Fund therefore considers in whole the PAI indicator 14: exposure to controversial weapons.

The Fund will make information available on how it has incorporated the PAIs into the Fund in its periodic reports to investors.



## What investment strategy does this financial product follow?

**The investment strategy** guides investment decisions based on factors such as investment objectives and risk tolerance.

The Fund’s investment objective is to provide an attractive rate of total return, measured in US Dollars. The Fund will seek to achieve its investment objective by investing primarily in high yield and unrated US Dollar denominated Fixed Income Securities, including without limitation those issued by Middle Market corporations or by governments and agencies located in developed or emerging markets and for the avoidance of doubt and subject to applicable law, including asset-backed securities and loan participations and loan assignments, to the extent that these instruments are securitised. For the purpose of this Fund, “Middle Market” is defined as the market for issuers with up to USD 1 billion in outstanding debt.

In addition to the ESG considerations described in this summary on a binding basis, the Fund integrates ESG considerations in the investment decision-making process to support its environmental and social characteristics on a non-binding basis, based on the Investment Adviser’s in-house research and methodologies and on third-party data.

The investment process is subject to regular review, as part of a control and monitoring framework implemented by the Investment Adviser. The Investment Adviser’s Compliance, Risk and Portfolio Surveillance teams collaborate with the investment team to conduct regular portfolio/performance reviews and systemic checks to ensure compliance with portfolio investment objectives and environmental and social characteristics, taking into account changing market conditions, information and strategy developments.

### ● **What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?**

The binding elements of the investment strategy are described in the table below.

The criteria are implemented and monitored by the Investment Adviser using a combination of third-party data and in-house research.

<b>Binding criteria</b>	
<b>The Fund will not invest in corporate issuers which:</b>	<p><b><u>Derive any revenue from any of the following activities:</u></b></p> <ul style="list-style-type: none"> <li>• Controversial weapons manufacturing or retail (anti-personnel landmines, cluster munitions, biological or chemical weapons, and nuclear weapons);</li> <li>• Civilian firearms manufacturing or retail;</li> <li>• Tobacco manufacturing; or</li> </ul> <p><b><u>Derive more than 5% revenue from any of the following activities:</u></b>            Thermal coal mining and extraction. The Fund may, as an exception, invest in labelled Sustainable Bonds issued by fossil fuel companies, which are intended to raise proceeds specifically for projects that promote positive environmental contributions mitigating the adverse sustainability impact of coal, such as renewable energy or energy efficiency, based on information available in the bond issuance documentation.</p>
<b>Sustainable investments</b>	The Fund will maintain a minimum of 5% of sustainable investments, which meet the criteria as set out in response to the question, <i>“What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?”</i>

The Investment Adviser may decide to implement additional restrictions to the Fund, and such new restrictions will be disclosed in the Fund’s SFDR Website Disclosure.

**Good governance** practices include sound management structures, employee relations, remuneration of staff and tax compliance.

● ***What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?***

The Fund does not target a specific reduction rate of the scope of investments.

● ***What is the policy to assess good governance practices of the investee companies?***

As part of its bottom-up, fundamental research process, the Investment Adviser systematically incorporates the assessment of an issuer’s corporate governance and business practices, including but not limited to evidence of sound management structures and employee relations, fair remuneration of staff, and tax compliance, in order to ensure that every investee company follows good governance practices.

This is done through the monitoring of data on governance-related, as well as on other environmental and/or social factors and controversies, sourced from third party providers, through in-house research, and through engagement with the management of selected issuers on corporate governance and disclosure issues.

In addition, the Fund’s sustainable investments exclude any company that is involved in very severe governance-related controversies.



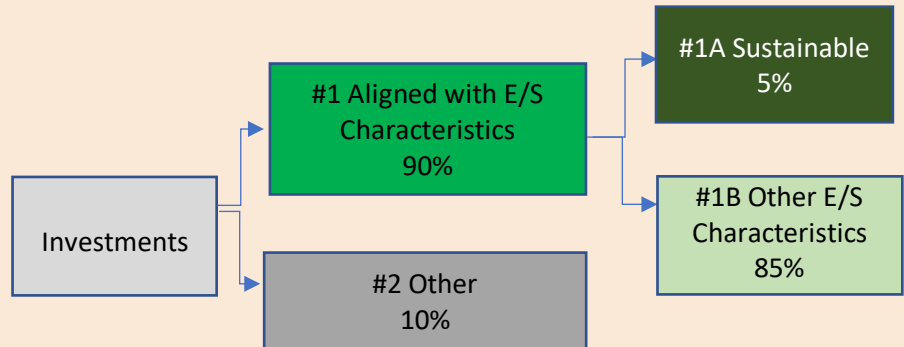
### Asset allocation

describes the share of investments in specific assets.

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.

## What is the asset allocation planned for this financial product?



**#1 Aligned with E/S characteristics** includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

**#2 Other** includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

The category **#1 Aligned with E/S characteristics** covers:

- The sub-category **#1A Sustainable** covers sustainable investments with environmental or social objectives.
- The sub-category **#1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.

The exclusions (as described above) will be applied to at least 90% of the portfolio, of which the Fund also expects to allocate a minimum of 5% of its assets to sustainable investments. Among these sustainable investments, the Fund commits to make a minimum of 1% of sustainable investments with an environmental objective and 1% of sustainable investments with a social objective which can both vary independently at any time.

A maximum of 10% of the Fund's assets may be invested in hedging and/or cash instruments for efficient portfolio management purposes, which do not align with any environmental or social characteristics.

These percentages are measured according to the value of the investments.

### ● **How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?**

Derivatives may be used by the Fund for investment or efficient portfolio management (including hedging) purposes only. These instruments are not used to attain the environmental or social characteristics of the Fund.





## To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

Not applicable – the Investment Adviser does not take account of the EU Taxonomy in its management of the Fund and as such the Fund’s sustainable investments do not take into account the criteria for environmentally sustainable economic activities under the EU Taxonomy.

### ● Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy<sup>1</sup>?

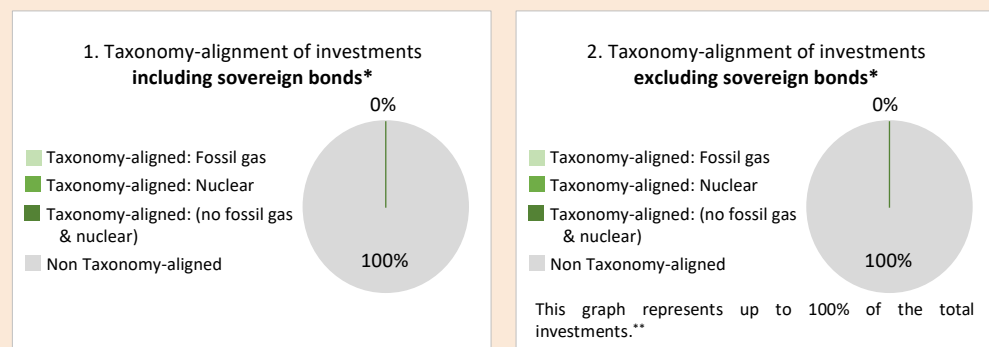
- Yes:  
 In fossil gas     In nuclear energy  
 No

To comply with EU Taxonomy, the criteria for **fossil gas** include limitations on emission and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

**Transitional activities** are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

*The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.*



\* For the purpose of these graphs, ‘sovereign bonds’ consist of all sovereign exposures.

\*\*The proportion of total investments shown in this graph is purely indicative and may vary over time. As the Fund does not commit to making sustainable investments aligned with the EU Taxonomy, the proportion of any sovereign exposure in the Fund’s portfolio will not impact the proportion of sustainable investments aligned with the EU Taxonomy included in the graph.

### ● What is the minimum share of investments in transitional and enabling activities?

Not applicable - Although the Fund commits to invest in sustainable investments within the meaning of the SFDR, there is no commitment to a minimum share of investments in transitional and enabling activities.

<sup>1</sup> Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change (“climate change mitigation”) and do not significantly harm any EU Taxonomy objective – see explanatory note in the left-hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.



are sustainable investments with an environmental objective that **do not take into account** the criteria for environmentally sustainable economic activities under the EU Taxonomy.

### What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?

The Fund intends to make a minimum of 5% sustainable investments, as defined under the SFDR, with a combination of environmental and social objectives, as described above. Among these, the Fund commits to make a minimum of 1% of sustainable investments with an environmental objective and 1% of sustainable investments with a social objective which can both vary independently at any time. These sustainable investments will represent at least 5% of the portfolio holdings on an aggregated basis.

The Fund's sustainable investments with an environmental objective **do not take into account the criteria** for environmentally sustainable economic activities under the EU Taxonomy.

Although some of these sustainable investments may be Taxonomy aligned, due to lack of available data regarding the Taxonomy alignment of the underlying securities, the Investment Adviser has not been able to confirm whether these investments are in fact Taxonomy aligned and accordingly will not consider them as such in calculations until this data is reported on or otherwise becomes more reliable. As such, the Investment Adviser uses its own methodology to determine whether certain investments are sustainable in accordance with the SFDR sustainable investment test, and then invests in such assets for the Fund.



### What is the minimum share of socially sustainable investments?

As explained above, the Fund may make sustainable investments which contribute to either environmental or social objectives. Among these, the Fund commits to make a minimum of 1% of sustainable investments with an environmental objective and 1% of sustainable investments with a social objective which can both vary independently at any time. These sustainable investments will represent at least 5% of the portfolio holdings on an aggregated basis.



### What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?

The Fund may have investments in hedging instruments for efficient portfolio management and in cash as ancillary liquidity. These instruments are included in the “#2 Other” category and are not subject to environmental and/or social screening or any minimum environmental or social safeguards.



### Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?

Not applicable

**Reference benchmarks** are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.



## Where can I find more product specific information online?

More product-specific information can be found on the website:

[https://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite\\_msinvf\\_usdollarhighyieldbond\\_en.pdf](https://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite_msinvf_usdollarhighyieldbond_en.pdf)

**Pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852**

**Product name:**  
Global Balanced Fund

**Legal entity identifier:**  
5493001XMV1F05VL2L46

## Environmental and/or social characteristics

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**.

That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

Does this financial product have a sustainable investment objective?	
<p><input checked="" type="radio"/> <input type="radio"/> <b>Yes</b></p>	<p><input checked="" type="radio"/> <input type="radio"/> <b>No</b></p>
<p><input type="checkbox"/> It will make a minimum of <b>sustainable investments with an environmental objective: ___%</b></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> </ul> <p><input type="checkbox"/> It will make a minimum of <b>sustainable investments with a social objective: ___%</b></p>	<p><input type="checkbox"/> It <b>promotes Environmental/Social (E/S) characteristics</b> and while it does not have as its objective a sustainable investment, it will have a minimum proportion of ___% of sustainable investments</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> with a social objective</li> </ul> <p><input checked="" type="checkbox"/> It promotes E/S characteristics, but <b>will not make any sustainable investments</b></p>



## What environmental and/or social characteristics are promoted by this financial

The Fund promotes a number of binding environmental and social characteristics, as described below.

### Equity investments

- **Exclusions:** The Fund promotes the environmental characteristics of climate change mitigation by excluding investments in certain types of fossil fuels, and of avoiding environmental harm by excluding investments which have caused severe environmental harm where appropriate remedial action has not been taken. In addition, the Fund promotes the social characteristic of avoiding investments in activities which can cause harm to human health and wellbeing. Further detail on the nature of these exclusions is set out below in response to the question *“What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?”*.
- **ESG tilt:** the Fund seeks to promote environmental objectives (such as: reducing carbon emissions; and preventing pollution and waste), social objectives (such as: tackling inequality or fostering social cohesion; promoting social integration and labour relations; investing in human capital; promoting access to finance and healthcare; and promoting nutrition and health) and governance objectives (such as good corporate governance and corporate behaviour) by applying an ESG tilt within the portfolio for all equity securities, using the MSCI ESG score and the MSCI Low Carbon Transition score.

### Government bonds

- The Fund aims to promote the environmental and social characteristic of encouraging countries to manage their ESG risks. The Fund achieves this through : (1) excluding investing in the government bonds of countries performing poorly on managing their ESG risks; and (2) applying an ESG tilt to the government bonds benchmark, so that the Fund’s investments in government bonds track a better ESG profiled benchmark in this regard.

### Credit

- **Exclusions:** The Fund promotes the environmental characteristics of climate change mitigation by excluding investments in certain types of fossil fuels, and of avoiding environmental harm by excluding investments which have caused severe environmental harm where appropriate remedial action has not been taken. In addition, the Fund promotes the social characteristic of avoiding investments in activities which can cause harm to human health and wellbeing. Further detail on the nature of these exclusions is set out below in response to the question *“What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?”*.

The Fund has not designated a reference benchmark for the purposes of attaining its environmental or social characteristics.

## ● **What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?**

The sustainability indicators that the Investment Adviser uses to measure the attainment of the environmental and social characteristics promoted by the Fund vary depending on the nature of the underlying investments.

### Equity investments

- **Exclusions:** the application of the exclusionary screens to the Fund’s equity investments is measured by the percentage of the Fund’s equity investments which breach the exclusionary screens. The relevant sustainability indicator is therefore that 0% of the Fund’s equity investments are in breach of the Fund’s Restriction Screening Policy.

**Sustainability indicators** measure how the environmental or social characteristics promoted by the financial product are attained.

- **ESG tilt:** the Fund allocates its global equity investment to five regional equity baskets. Each will outperform the equivalent regional equity benchmark determined by the Investment Adviser as representative of the relevant region with regard to the weighted average of:
  - the ESG score, as determined by MSCI (an external data provider); and
  - the Low Carbon Transition score, as determined by MSCI.
- In addition, the core equity portfolio (which is made up of the total of the five regional baskets) will outperform the MSCI ACWI index with regard to the two scores referenced above.

The ESG score (as determined by MSCI) assesses each company based on a combination of the key issues that are most material to a company, out of a possible 35 ESG issues (such as reduction of carbon emissions, preventing pollution, tackling equality, and access to healthcare). The Low Carbon Transition score assesses a company's management of risks and opportunities related to the low carbon transition.

#### **Government bonds**

- **Exclusions:** the application of the exclusionary screen to the Fund's investments in government bonds is measured by the percentage of the Fund's government bonds which breach the exclusionary screen. The relevant sustainability indicator is therefore that 0% of the Fund's government bonds are in breach of the exclusionary criteria.
- **ESG tilt:** the application of the Fund's ESG assessment to the Fund's Government bonds benchmark aims to ensure that the government bonds in the Fund outperform a representative index of G7 government bonds (excluding Canada) determined by the Investment Adviser with regard to the MSCI ESG Government bonds rating.

#### **Credit**

- **Exclusions:** the application of the exclusionary screens to the Fund's directly held corporate bond investments is measured by the percentage of the Fund's corporate bond investments which breach the exclusionary screens. The relevant sustainability indicator is therefore that 0% of the Fund's directly held corporate bond investments are in breach of the Fund's Restriction Screening Policy.

*The EU Taxonomy sets out a "do not significant harm" principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.*

*The "do no significant harm" principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.*

*Any other sustainable investments must also not significantly harm any environmental or social objectives.*

Regulation requires that this document include these statements. However, for the avoidance of doubt, this Fund does not: (i) take into account the EU criteria for environmentally sustainable economic activities in the EU Taxonomy; or (ii) calculate its portfolio alignment with the EU Taxonomy. As such, the Fund is 0% aligned with the EU Taxonomy. The "do no significant harm" principle applies only to the portion of the Fund's investments that are sustainable investments.

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

- ***What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?***  
Not applicable
- ***How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?***  
Not applicable
  - *How have the indicators for adverse impacts on sustainability factors been taken into account?*  
Not applicable
  - *How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:*  
Not applicable



### Does this financial product consider principal adverse impacts on sustainability factors?

- Yes  
 No

The Fund considers the following PAI indicators through the application of the Fund's binding environmental or social characteristics (as described elsewhere in this document):

- **PAI indicators numbers 1-3 (GHG emissions, carbon footprint and GHG intensity of investee companies):** The equity investments of the Fund consider PAI indicators numbers 1-3 regarding GHG emissions in part through its equity investments. The Fund considers these indicators because it applies a tilt considering the Low Carbon Transition score to the equities held in the equity baskets. The Low Carbon Transition score is designed to identify potential leaders and laggards by measuring companies' exposure to and management of risks and opportunities related to the low carbon transition and assesses carbon intensity of each of our equity securities. The Low Carbon Transition score takes into account GHG emissions (scopes 1-3).
- **PAI indicator number 4 (exposure to companies active in the fossil fuel sector):** The Fund considers this PAI indicator in part through its investments in equities and directly held corporate bonds because it excludes issuers with high exposure to carbon-intensive activities, with a view to mitigation of climate-related financial risks. Namely, the fund excludes companies that derive 5% or more of their revenue from the mining of thermal coal or the extraction of oil sands.
- **PAI indicators numbers 7-9 (activities negatively affecting biodiversity-sensitive areas, emissions to water and hazardous waste and radioactive waste ratio):** The Fund considers these indicators in part through its investments in equities and directly held corporate bonds because, as a proxy, it excludes investments in companies involved in ongoing severe structural controversy cases related to environmental harm where we believe appropriate remedial action

has not been taken. These controversies include controversies relating to Biodiversity & Land Use, Toxic Emissions & Waste, Water Stress, Operational Waste (Non-Hazardous), Supply Chain Management amongst others.

- **PAI indicator number 10 (violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises):** The Fund considers this PAI indicator through its investments in equities and directly held corporate bonds because it excludes investments in issuers flagged in breach of one or more selected global norms and conventions, including the United Nations Global Compact Principles (UNGC), United Nations Guiding Principles for Business and Human Rights, the International Labour Organization's fundamental principles and the OECD Guidelines for Multinational Enterprises
- **PAI indicator number 14 (exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)):** The Fund considers this PAI indicator through its investments in equities and directly held corporate bonds because it excludes investments in issuers which derive any revenue from controversial weapons (including all the controversial weapons listed for PAI number 14).

The Fund will make information available on how it has considered the PAIs in its periodic reports to investors.



**The investment strategy** guides investment decisions based on factors such as investment objectives and risk tolerance.

## What investment strategy does this financial product follow?

The Fund's investment objective is to provide an attractive level of total return, measured in Euro, by investing in a broad and balanced asset mix of both Equity and Fixed Income Securities while incorporating ESG considerations.

The investment process is subject to regular review, as part of a control and monitoring framework implemented by the Investment Adviser and the Management Company. Morgan Stanley Investment Management's Compliance, Risk and Portfolio Surveillance teams collaborate with the investment team to conduct regular portfolio / performance reviews and systemic checks to ensure compliance with portfolio investment objectives, investment and client guidelines, taking into account changing market conditions, information and strategy developments.

### • ***What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?***

This Fund has a number of ESG features which are binding on the Fund's investment decisions and relate to different types of investments in the Fund, which are described in further detail in responses to previous questions.

#### **Equity investments**

With regard to the equity investments of the product, the Fund applies the following binding elements in the investment strategy:

- **Exclusions:** the Investment Adviser imposes certain ESG exclusionary screens on all the equity investments of the Fund, as set out in the Fund's Restriction Screening Policy. These screens mean that the equity investments of the Fund will not include equities of issuers with certain specified criteria, as follows:
  - (1) with high exposure to carbon-intensive activities, such as mining thermal coal and extraction of oil sands;
  - (2) with ties to the manufacturing or production of controversial weapons or intended use components;
  - (3) that manufacture civilian firearms;



- (4) that manufacture tobacco products or derive a certain percentage of their revenue from tobacco products;
- (5) that derive a certain percentage of their revenue from gambling-related business activities;
- (6) that derive a certain percentage of their revenue from adult entertainment activities; or
- (7) that have experienced the most severe ESG controversy cases or are involved in ongoing severe structural controversy cases related to environmental harm and where the investment team believe appropriate remedial action hasn't been taken.
- **ESG tilt:** as noted above, the Fund allocates its global equity investment to five regional baskets. The Investment Adviser seeks to ensure that each of the regional baskets outperform the equivalent benchmark for that region with regard to the ESG score and Low Carbon Transition score, as determined by MSCI. Finally, the core equity portfolio (which comprises all five regional baskets) as a whole will also seek to outperform MSCI ACWI index with regard to the scores referenced above.

### **Government bonds**

With regard to the Government bond investments of the product, the Fund applies the following binding elements in the investment strategy:

- **Exclusions:** The Fund aims to avoid investing in the bonds of countries with a current ESG Government Rating of "CCC". The ESG Government Ratings (as determined by MSCI) identify a company's exposure to and management of environmental, social and governance risk factors and consider how these factors might impact the long-term sustainability of its economy.
- **ESG tilt:** The Fund uses a proprietary GBaR Government ESG score to assess and compare each government issuer to create a proprietary Sovereign ESG benchmark upon which the Investment Adviser overlays credit research. The GBaR Government ESG Score is calculated by combining:
  - the ESG score of the government, as determined by the MSCI ESG Government Rating; and
  - the year-on-year change in numeric ESG score as rated by MSCI under the MSCI ESG Government Ratings framework.

The Investment Adviser will then overweight sovereigns which are outperforming the average performance in the Bloomberg Global G7 Total Return Index (excluding elements of that index which concern Canada, as Canadian government bonds do not form part of the Fund's investment universe), with regard to the GBaR Government ESG Score, while underweighting those that perform worse than the average. This process, however, remains subject to the Investment Adviser's credit research overlay, which may result in changes to the weightings of sovereigns resulting from the process described to account for the Investment Adviser's views on the credit quality of those sovereigns. In limited circumstances, application of the Investment Adviser's credit overlay could result in sovereign bonds held by the Fund not outperforming the benchmark on ESG issues, though the Investment Adviser does not expect that this will generally be the case.

### **Credit**

With regard to the directly held corporate bond investments of the product, the Investment Adviser imposes certain ESG exclusionary screens on the issuers of the corporate bonds that are managed directly, as set out in the Fund's [Restriction Screening Policy](#). These screens mean that the directly held credit investments of the Fund will not include corporate bond of issuers with certain specified criteria, as set out above under equity investments exclusions criteria.

**Good governance** practices include sound management structures, employee relations, remuneration of staff and tax compliance.

- **What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?**

Not applicable

- **What is the policy to assess good governance practices of the investee companies?**

The Fund does not invest in companies that have experienced very severe governance controversies (such as bribery & fraud, tax evasion, governance structures, etc).



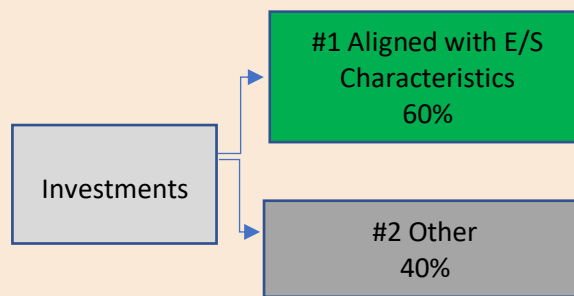
#### Asset allocation

describes the share of investments in specific assets.

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.

#### What is the asset allocation planned for this financial product?



- #1 Aligned with E/S characteristics** includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.
- #2 Other** includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

The Investment Adviser will seek to ensure that 60% or more of the Fund's investments are aligned with E/S characteristics. As described above, however, the relevant E/S characteristics vary depending on the nature of the Fund's investment. The below provides an indication of the proportion of the Fund's assets expected to promote the environmental or social characteristics described, based on historical data. Investors should note, however, that actual asset allocations may vary significantly over time due to the asset mix determined by the Investment Manager and as a result of investment performance.

- Equity investments are expected to make up between 20% to 70% of the Fund's portfolio (as measured by the total Fund value). The screens and ESG tilt of the Fund are applied to all the direct equity investments of the Fund.
- Investments in directly held corporate bonds are expected to make up approximately 5% to 10% of the Fund's portfolio (as measured by the total Fund value).
- Investments in government bonds are expected to make up approximately 15% to 35% of the Fund's portfolio (as measured by the total Fund value). The selection process for government bonds incorporates the ESG features described above.

As explained above, the ESG tilt of the equity investments is applied at the level of the five regional baskets and the portfolio of equity investments (and not at the level of individual holdings, some of which may on an individual basis have an ESG score or Low Carbon Transition score lower than the average for the regional basket or for the whole portfolio of equity investments).

It is anticipated that up to 40% of the Fund's assets may be invested in hedging and/or cash instruments for efficient portfolio management purposes, other instruments which do not align with any environmental or social characteristics, or investments for which adequate data is not available.

● **How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?**

Not applicable



**To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?**

Not applicable – the Investment Adviser does not take account of the EU Taxonomy in its management of the Fund and as such the Fund’s investments do not take into account the criteria for environmentally sustainable economic activities under the EU Taxonomy.

● **Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy<sup>1</sup>?**

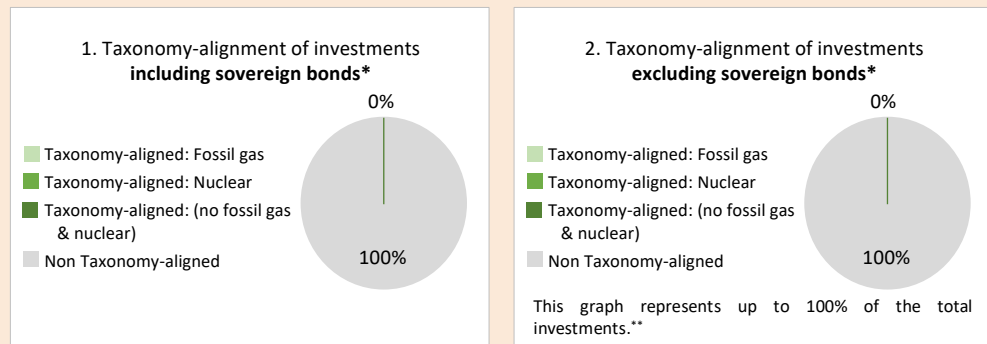
- Yes:  
 In fossil gas     In nuclear energy  
 No

To comply with EU Taxonomy, the criteria for **fossil gas** include limitations on emission and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

**Transitional activities** are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

*The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.*



\* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures.  
 \*\*The proportion of total investments shown in this graph is purely indicative and may vary over time. As the Fund does not commit to making sustainable investments aligned with the EU Taxonomy, the proportion of any sovereign exposure in the Fund’s portfolio will not impact the proportion of sustainable investments aligned with the EU Taxonomy included in the graph.

● **What is the minimum share of investments in transitional and enabling activities?**

Not applicable

<sup>1</sup> Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change (“climate change mitigation”) and do not significantly harm any EU Taxonomy objective – see explanatory note in the left-hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.



### What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?

Not applicable



are sustainable investments with an environmental objective that **do not take into account** the criteria for environmentally sustainable economic activities under the EU Taxonomy.



### What is the minimum share of socially sustainable investments?

Not applicable



### What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?

Investments categorised as “#2 Other” include:

- hedging instruments;
- cash held as ancillary liquidity;
- investments for which the investment team is lacking data in order to assess if they qualify as promoting environmental or social characteristics;
- any other investments which do not promote environmental or social characteristics (such as derivatives used for speculative purposes which do not have any ESG features).

There are no minimum environmental or social safeguards applied to such investments.



### Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?

Not applicable

#### Reference benchmarks

are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.



## Where can I find more product specific information online?

More product-specific information can be found on the website:

[https://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite\\_msinvf\\_globalbalanced\\_en.pdf](https://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite_msinvf_globalbalanced_en.pdf)

**Template pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph of Regulation (EU) 2020/852**

**Product name:**  
Global Balanced Income Fund

**Legal entity identifier:**  
549300V1TBJVKZCB8M65

## Environmental and/or social characteristics

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

Does this financial product have a sustainable investment objective?	
●● <input type="checkbox"/> Yes	●● <input checked="" type="checkbox"/> No
<input type="checkbox"/> It will make a minimum of <b>sustainable investments with an environmental objective: ___%</b> <ul style="list-style-type: none"> <li><input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> </ul>	<input type="checkbox"/> It <b>promotes Environmental/Social (E/S) characteristics</b> and while it does not have as its objective a sustainable investment, it will have a minimum proportion of ___% of sustainable investments <ul style="list-style-type: none"> <li><input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> with a social objective</li> </ul>
<input type="checkbox"/> It will make a minimum of <b>sustainable investments with a social objective: ___%</b>	<input checked="" type="checkbox"/> It promotes E/S characteristics, but <b>will not make any sustainable investments</b>



## What environmental and/or social characteristics are promoted by this financial product?

The Fund promotes a number of binding environmental and social characteristics, as described below.

### Equity investments

- **Exclusions:** The Fund promotes the environmental characteristics of climate change mitigation by excluding investments in certain types of fossil fuels, and of avoiding environmental harm by excluding investments which have caused severe environmental harm where appropriate remedial action has not been taken. In addition, the Fund promotes the social characteristic of avoiding investments in activities which can cause harm to human health and wellbeing. Further detail on the nature of these exclusions is set out below in response to the question *“What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?”*.
- **ESG tilt:** the Fund seeks to promote environmental objectives (such as: reducing carbon emissions; and preventing pollution and waste), social objectives (such as: tackling inequality or fostering social cohesion; promoting social integration and labour relations; investing in human capital; promoting access to finance and healthcare; and promoting nutrition and health) and governance objectives (such as good corporate governance and corporate behaviour) by applying an ESG tilt within the portfolio for all equity securities, using the MSCI ESG score and the MSCI Low Carbon Transition score.

### Government bonds

- The Fund aims to promote the environmental and social characteristic of encouraging countries to manage their ESG risks. The Fund achieves this through: (1) excluding investing in the government bonds of countries performing poorly on managing their ESG risks; and (2) applying an ESG tilt to the government bonds benchmark, so that the Fund’s investments in government bonds track a better ESG profiled benchmark in this regard.

### Credit

- **Exclusions:** The Fund promotes the environmental characteristics of climate change mitigation by excluding investments in certain types of fossil fuels, and of avoiding environmental harm by excluding investments which have caused severe environmental harm where appropriate remedial action has not been taken. In addition, the Fund promotes the social characteristic of avoiding investments in activities which can cause harm to human health and wellbeing. Further detail on the nature of these exclusions is set out below in response to the question *“What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?”*.

The Fund has not designated a reference benchmark for the purposes of attaining its environmental or social characteristics.

● **What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?**

**Sustainability indicators** measure how the environmental or social characteristics promoted by the financial product are attained.

The sustainability indicators used to measure the attainment of the environmental and social characteristics promoted are:

**Equity investments**

- **Exclusions:** the application of the exclusionary screens to the Fund’s equity investments is measured by the percentage of the Fund’s equity investments which breach the exclusionary screens. The relevant sustainability indicator is therefore that 0% of the Fund’s equity investments are in breach of the Fund’s Exclusion Policy.
- **ESG tilt:** the Fund allocates its global equity investments to five regional equity baskets. Each will outperform the equivalent regional equity benchmark determined by the Investment Adviser as representative of the relevant region with regard to the weighted average of:
  - the ESG score, as determined by MSCI (an external data provider); and
  - the Low Carbon Transition score, as determined by MSCI.
- In addition, the core equity portfolio (which is made up of the total of the five regional baskets) will outperform the MSCI ACWI index with regard to the two scores referenced above. The ESG score (as determined by MSCI) assesses each company based on a combination of the key issues that are most material to a company, out of a possible 35 ESG issues (such as reduction of carbon emissions, preventing pollution, tackling equality, and access to healthcare). The Low Carbon Transition score assesses a company’s management of risks and opportunities related to the low carbon transition.

**Government bonds**

- **Exclusions:** the application of the exclusionary screen to the Fund’s investments in government bonds is measured by the percentage of the Fund’s government bonds which breach the exclusionary screen. The relevant sustainability indicator is therefore that 0% of the Fund’s government bonds are in breach of the exclusionary criteria.
- **ESG tilt:** the application of the Fund’s ESG assessment to the Fund’s Government bonds benchmark aims to ensure that the government bonds in the Fund outperform a representative index of G7 government bonds (excluding Canada) determined by the Investment Adviser with regard to the MSCI ESG Government bonds rating.

**Credit**

- **Exclusions:** the application of the exclusionary screens to the Fund’s directly held corporate bond investments is measured by the percentage of the Fund’s corporate bond investments which breach the exclusionary screens. The relevant sustainability indicator is therefore that 0% of the Fund’s directly held corporate bond investments are in breach of the Fund’s Exclusion Policy.

*The EU Taxonomy sets out a “do not significant harm” principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.*

*The “do no significant harm” principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.*

*Any other sustainable investments must also not significantly harm any environmental or social objectives.*



**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

- **What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?**

*Not applicable.*

- **How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?**

*Not applicable.*



**Does this financial product consider principal adverse impacts on sustainability factors?**

Yes

No

The Fund considers the following PAI indicators through the application of the Fund's binding environmental or social characteristics (as described elsewhere in this document):

- **PAI indicators numbers 1-3 (GHG emissions, carbon footprint and GHG intensity of investee companies):** The equity investments of the Fund consider PAI indicators numbers 1-3 regarding GHG emissions in part through its equity investments. The Fund considers these indicators because it applies a tilt considering the Low Carbon Transition score to the equities held in the equity baskets. The Low Carbon Transition score is designed to identify potential leaders and laggards by measuring companies' exposure to and management of risks and opportunities related to the low carbon transition and assesses carbon intensity of each of our equity securities. The Low Carbon Transition score takes into account GHG emissions (scopes 1-3).
- **PAI indicator number 4 (exposure to companies active in the fossil fuel sector):** The Fund considers this PAI indicator in part through its investments in equities and directly held corporate bonds because it excludes issuers with high exposure to carbon-intensive activities, with a view to mitigation of climate-related financial risks. Namely, the fund excludes companies that derive 5% or more of their revenue from the mining of thermal coal or the extraction of oil sands or oil and gas from the Arctic.
- **PAI indicators numbers 7-9 (activities negatively affecting biodiversity-sensitive areas, emissions to water and hazardous waste and radioactive waste ratio):** The Fund considers these indicators in part through its investments in equities and directly held corporate bonds because, as a proxy, it excludes investments in companies involved in ongoing severe structural controversy cases related to environmental harm where we believe appropriate remedial action has not been taken. These controversies include controversies relating to Biodiversity & Land Use, Toxic Emissions & Waste, Water Stress, Operational Waste (Non-Hazardous), Supply Chain Management amongst others. Additionally, the Fund considers these indicators in part through its investments in equities and directly held corporate bonds because, as a proxy, it excludes investments in companies that derive certain revenue from Arctic oil and gas production.
- **PAI indicator number 10 (violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises):** The Fund considers this PAI indicator through its investments in equities and directly held corporate bonds because it excludes investments in issuers flagged in breach of one or more selected global norms and conventions, including

the United Nations Global Compact Principles (UNGC), United Nations Guiding Principles for Business and Human Rights, the International Labour Organization's fundamental principles and the OECD Guidelines for Multinational Enterprises

- **PAI indicator number 14 (exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)):** The Fund considers this PAI indicator through its investments in equities and directly held corporate bonds because it excludes investments in issuers which derive any revenue from controversial weapons (including all the controversial weapons listed for PAI number 14).

The Fund will make information available on how it has considered the PAIs in its periodic reports to investors.



## What investment strategy does this financial product follow?

**The investment strategy** guides investment decisions based on factors such as investment objectives and risk tolerance.

The Fund's investment objective is to provide regular income and capital appreciation, measured in Euro, through investing primarily in a portfolio of transferable securities and money market instruments globally and through the use of financial derivative instruments.

The Fund is managed within a clearly-defined, risk-controlled framework, actively managing the total portfolio risk, by managing the portfolio volatility level in line with a pre-defined target volatility. The Investment Adviser dynamically adjust the portfolio positioning in a balanced mix of equity, fixed income, Cash Equivalents, and commodity-linked securities, aiming to maintain a stable risk profile using an ex-ante approach.

In targeting its investment, the Investment Adviser also integrates a range of material ESG factors. These factors 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.

As part of the investment strategy, the Fund applies a set of binding ESG-related exclusionary screens, one for equity investments, one for government bonds and one for credits. In addition, for equity investments and government bonds the fund applies an ESG tilt.

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 in order to ensure that the target companies follow good governance practices. The investment advisor incorporates ESG considerations during both the investment and research process to limit exposure to sustainability risks and seek out investment opportunities.

The investment process is subject to regular review, as part of a control and monitoring framework implemented by the Investment Adviser and the Management Company. Morgan Stanley Investment Management's Compliance, Risk and Portfolio Surveillance teams collaborate with the investment team to conduct regular portfolio / performance reviews and systemic checks to ensure compliance with portfolio investment objectives, investment and client guidelines, taking into account changing market conditions, information and strategy developments.

## ***What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?***

This Fund has a number of ESG features which are binding on the Fund's investment decisions and relate to different types of investments in the Fund, which are described in further detail in responses to previous questions.

### **Equity investments**

With regard to the equity investments of the product, the Fund applies the following binding elements in the investment strategy:

- **Exclusions:** the Investment Adviser imposes certain ESG exclusionary screens on all the equity investments of the Fund, as set out in the Fund’s [Exclusion Policy](#). These screens mean that the equity investments of the Fund will not include equities of issuers with certain specified criteria, as follows:
  - with high exposure to carbon-intensive activities, such as mining, [thermal coal] or generating power from thermal coal and extraction of oil sands;
  - that derive a certain percentage of their revenue from Arctic oil and gas production
  - with ties to the manufacturing or production of controversial weapons or intended use components;
  - that manufacture civilian firearms;
  - that manufacture tobacco products or derive a certain percentage of their revenue from tobacco products;
  - that derive a certain percentage of their revenue from gambling-related business activities;
  - that derive a certain percentage of their revenue from adult entertainment activities; or
  - that have experienced the most severe ESG controversy cases or are involved in ongoing severe structural controversy cases related to environmental harm and where the investment team believe appropriate remedial action hasn’t been taken.
  
- **ESG tilt:** as noted above, the Fund allocates its global equity investment to five regional baskets. The Investment Adviser seeks to ensure that each of the regional baskets outperform the equivalent benchmark for that region with regard to the ESG score and Low Carbon Transition score, as determined by MSCI. Finally, the core equity portfolio (which comprises all five regional baskets) as a whole will also seek to outperform MSCI ACWI index with regard to the scores referenced above.

### **Government bonds**

With regard to the Government bond investments of the product, the Fund applies the following binding elements in the investment strategy:

- **Exclusions:** The Fund aims to avoid investing in the bonds of countries with a current ESG Government Rating of “CCC”. The ESG Government Ratings (as determined by MSCI) identify a company’s exposure to and management of environmental, social and governance risk factors and consider how these factors might impact the long-term sustainability of its economy.
  
- **ESG tilt:** The Fund uses a proprietary GBaR Government ESG score to assess and compare each government issuer to create a proprietary Sovereign ESG benchmark upon which the Investment Adviser overlays credit research. The GBaR Government ESG Score is calculated by combining:
  - the ESG score of the government, as determined by the MSCI ESG Government Rating; and
  - the year-on-year change in numeric ESG score as rated by MSCI under the MSCI ESG Government Ratings framework.

The Investment Adviser will then overweight sovereigns which are outperforming the average performance in the Bloomberg Global G7 Total Return Index (excluding elements of that index which concern Canada, as Canadian government bonds do not form part of the Fund’s investment universe), with regard to the GBaR Government ESG Score, while underweighting those that perform worse than the average. This process, however, remains subject to the Investment Adviser’s credit research overlay, which may result in changes to the weightings of sovereigns resulting from the process described to account for the Investment Adviser’s views on the credit quality of those sovereigns. In limited circumstances, application of the Investment Adviser’s credit overlay could result in sovereign bonds held by the Fund not outperforming the benchmark on ESG issues, though the Investment Adviser does not expect that this will generally be the case.

### **Credit**

With regard to the directly held corporate bond investments of the product, the Investment Adviser imposes certain ESG exclusionary screens on the issuers of the corporate bonds that are managed directly, as set out in the Fund’s [Exclusion Policy](#). These screens mean that the directly held credit investments of the Fund will not include

corporate bond of issuers with certain specified criteria, as set out above under equity investments exclusions criteria.

**Good governance** practices include sound management structures, employee relations, remuneration of staff and tax compliance.

- **What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?**

Not applicable.

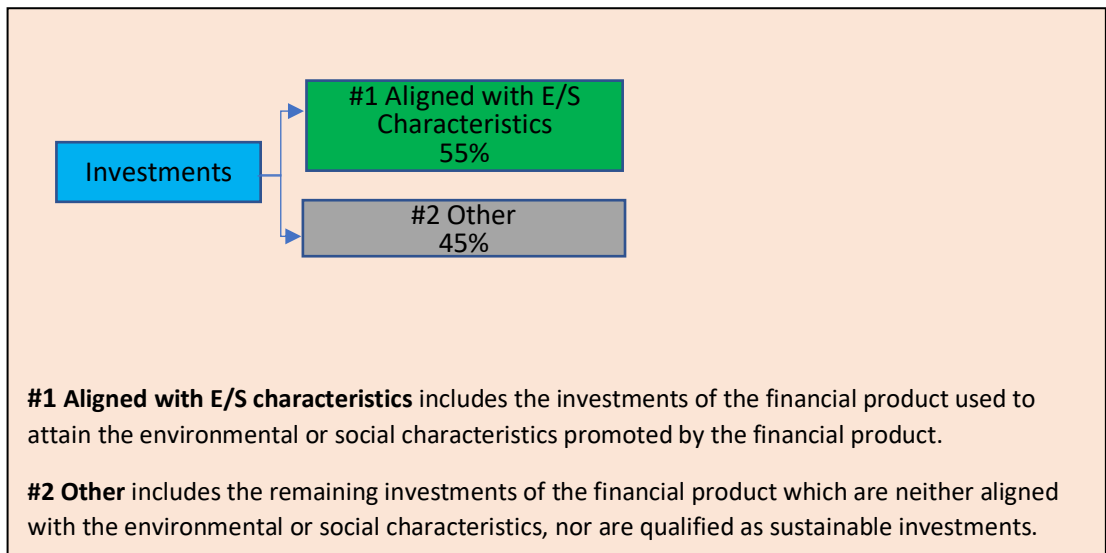
- **What is the policy to assess good governance practices of the investee companies?**

The Fund does not invest in companies that have experienced very severe governance controversies (such as bribery & fraud, tax evasion, governance structures, etc).



### What is the asset allocation planned for this financial product?

**Asset allocation** describes the share of investments in specific assets.



Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies

The Investment Adviser will seek to ensure that at least 55% of the Fund’s investments are aligned with the Fund’s E/S characteristics. As described above, however, the relevant E/S characteristics vary depending on the nature of the Fund’s investment. The below provides an indication of the proportion of the Fund’s assets expected to promote the environmental or social characteristics described, based on historical data. Investors should note, however, that actual asset allocations may vary significantly over time due to the asset mix determined by the Investment Adviser and as a result of investment performance.

Equity investments are expected to make up between 10% to 90% of the Fund’s portfolio (as measured by the total Fund value). The screens and ESG tilt of the Fund are applied to all the direct equity investments of the Fund.

In addition, the Investment Adviser may invest in a range of other instruments such as Fixed Income Securities, Commodity-linked investments, open and closed ended UCIs, including the Company’s Funds and ETFs and cash and money market instruments. The Investment Adviser may use on or off exchange traded derivatives such as options, futures or swaps.

As explained above, the ESG tilt of the equity investments is applied at the level of the five regional baskets and the portfolio of equity investments (and not at the level of individual holdings, some of which may on an individual

basis have an ESG score or Low Carbon Transition score lower than the average for the regional basket or for the whole portfolio of equity investments).

It is anticipated that up to 45% of the Fund's assets may be invested in assets that are not aligned with the Fund's E/S characteristics. For example, in addition to purchasing income generating transferable securities, additional income will be sought through the receipt of premiums as a result of writing on or off exchange traded options, which may be written on indices; single securities; or currencies. Additionally, the Investment Advisor may invest in hedging, and/or cash instruments for efficient portfolio management purposes, other instruments which do not align with any environmental or social characteristics, or investments for which adequate data is not available.

- ***How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?***

Not applicable



**To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?**

The Fund does not commit to making a minimum portion of sustainable investments with an environmental objective aligned with the EU Taxonomy.

- **Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy<sup>1</sup>?**

Yes:

In fossil gas     In nuclear energy

No

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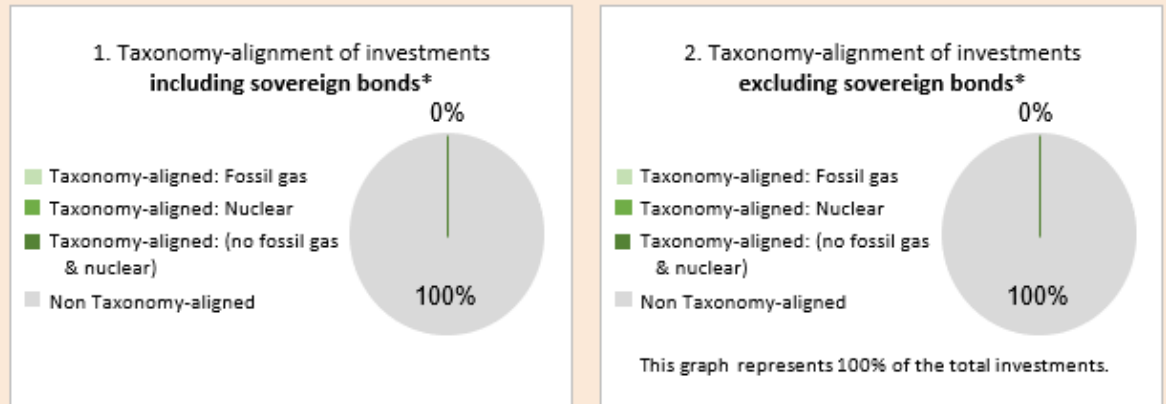
<sup>1</sup> Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objective – see explanatory note in the left-hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

**Transitional activities** are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

*The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.*



\* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures.

● **What is the minimum share of investments in transitional and enabling activities?**

As the Fund does not commit to invest any sustainable investment within the meaning of the EU Taxonomy, the minimum share of investments in transitional and enabling activities within the meaning of the EU Taxonomy is therefore also set at 0%.



**What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?**



are sustainable investments with an environmental objective that **do not take into account** the criteria for environmentally sustainable economic activities under the EU Taxonomy.

The Fund promotes environmental and social characteristics but does not commit to making any sustainable investments. As a consequence, the Fund does not commit to a minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy.



**What is the minimum share of socially sustainable investments?**

*Not applicable.*



**What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?**

Investments categorised as “#2 Other” include:

- financial derivative instruments such as on or off exchange traded options, which may be written on indices; single securities; or currencies;
- hedging instruments;
- cash held as ancillary liquidity;
- investments for which the investment team is lacking data in order to assess if they qualify as promoting environmental or social characteristics;
- any other investments which do not promote environmental or social characteristics (such as derivatives used for speculative purposes which do not have any ESG features).

There are no minimum environmental or social safeguards applied to such investments.



**Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?**

*Not applicable.*

**Reference benchmarks** are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.



**Where can I find more product specific information online?**

More product-specific information can be found on the website:

[www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite\\_msinvf\\_globalbalancedincome\\_en.pdf](http://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite_msinvf_globalbalancedincome_en.pdf)



**Pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852**

**Product name:**

Global Balanced Sustainable Fund

**Legal entity identifier:**

549300UMQ7ETEXI51419

## Environmental and/or social characteristics

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**.

That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

Does this financial product have a sustainable investment objective?	
●● <input type="checkbox"/> Yes	●● <input checked="" type="checkbox"/> No
<input type="checkbox"/> It will make a minimum of <b>sustainable investments with an environmental objective: ___%</b> <ul style="list-style-type: none"> <li><input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> </ul>	<input checked="" type="checkbox"/> It <b>promotes Environmental/Social (E/S) characteristics</b> and while it does not have as its objective a sustainable investment, it will have a minimum proportion of <u>30%</u> of sustainable investments <ul style="list-style-type: none"> <li><input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input checked="" type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> <li><input checked="" type="checkbox"/> with a social objective</li> </ul>
<input type="checkbox"/> It will make a minimum of <b>sustainable investments with a social objective: ___%</b>	<input type="checkbox"/> It promotes E/S characteristics, but <b>will not make any sustainable investments</b>



## What environmental and/or social characteristics are promoted by this financial

The Fund promotes a number of binding environmental and social characteristics, as described below.

### Equity investments

- **Exclusions:** The Fund promotes the environmental characteristics of climate change mitigation by excluding investments in certain types of fossil fuels, and of avoiding environmental harm by excluding investments which have caused severe environmental harm where appropriate remedial action has not been taken. In addition, the Fund promotes the social characteristic of avoiding investments in activities which can cause harm to human health and wellbeing. Further detail on the nature of these exclusions is set out below (in response to the question “*What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?*”).
- **ESG tilt:** the Fund seeks to promote environmental objectives (such as reducing carbon emissions, and preventing pollution and waste), social objectives (such as: tackling inequality or fostering social cohesion; promoting social integration and labour relations; investing in human capital; promoting access to finance and healthcare; and promoting nutrition and health) and governance objectives (such as good corporate governance and corporate behavior) by applying an ESG tilt within the portfolio for all equity securities, using the MSCI ESG score and the MSCI Low Carbon Transition score.
- **Carbon budget:** The Fund aims to promote the environmental characteristic of reducing carbon emissions, by applying a carbon budget to all equity securities in the Fund’s portfolio every year. This carbon budget characteristic applies to investments in equity securities made directly by the Fund, but does not apply to equity securities held by the fund indirectly through investments in exchange-traded funds (ETFs) or other types of fund.

### Government bonds

- The Fund aims to promote the environmental and social characteristic of encouraging countries to manage their ESG risks. The Fund achieves this through: (1) excluding investing in the government bonds of countries performing poorly on managing their ESG risks; and (2) applying an ESG tilt to the government bonds benchmark, so that the Fund’s investments in government bonds track a better ESG profiled benchmark in this regard.

### Credit

- **Exposure to ESG CDS:** The Fund sells credit protection under index credit default swaps (“**CDS**”) in order to gain exposure to corporate credit. The Fund will gain this exposure through at least one ESG-aligned CDS, which references the iTraxx MSCI ESG Screened Europe Index. Exposure to this index seeks to target the Fund’s credit exposure towards issuers that exhibit stronger performance with respect to management of ESG risks, as the index is screened by MSCI to exclude issuers with exposure to certain activities that have the potential to be harmful to human health and wellbeing, that have been subject to ESG controversies, or that have an MSCI ESG rating of BBB and below. Further details regarding these exclusions are set out below in response to the question “*What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?*”.

In addition, the Fund will obtain credit exposure through other ESG-aligned CDS where available and appropriate.

### Solution providers

The Fund promotes the characteristic of contributing to a number of social and environmental themes, by allocating a minimum percentage of investments to products offered by solution providers (i.e., external fund managers) who invest in businesses and activities that seek to provide solutions across a number of social and environmental themes. The selection process examines the manager’s target themes, investment philosophy, investment process and (for solution providers

which invest in equities) the weighted average revenue-alignment of the manager's funds to environmental and social themes.

The Fund aims to make a minimum of 30% of sustainable investments, as explained in response to the question, "What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?"

The Fund has not designated a reference benchmark for the purposes of attaining its environmental or social characteristics.

**Sustainability indicators** measure how the environmental or social characteristics promoted by the financial product are attained.

● **What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?**

The sustainability indicators that the Investment Adviser uses to measure the attainment of the environmental and social characteristics promoted by the Fund vary depending on the nature of the underlying investments.

**Equity investments**

- **Exclusions:** the application of the exclusionary screens to the Fund's equity investments is measured by the percentage of the Fund's equity investments which breach the exclusionary screens. The relevant sustainability indicator is therefore that 0% of the Fund's equity investments are in breach of the Fund's Restriction Screening Policy.
- **ESG tilt:** the Fund allocates its global equity investment to five regional equity baskets. Each will outperform the equivalent regional equity benchmark determined by the Investment Adviser as representative of the relevant region with regard to the weighted average of:
  - the ESG score, as determined by MSCI (an external data provider); and
  - the Low Carbon Transition score, as determined by MSCI.
- In addition, the core equity portfolio (which is made up of the total of the five regional baskets) will outperform the MSCI ACWI index with regard to the two scores referenced above.

The ESG score (as determined by MSCI) assesses each company based on a combination of the key issues that are most material to a company, out of a possible 35 ESG issues (such as reduction of carbon emissions, preventing pollution, tackling equality, and access to healthcare). The Low Carbon Transition score assesses a company's management of risks and opportunities related to the low carbon transition.

- **Carbon budget:** the reduction in carbon emissions for each sector basket is measured by combining:
  - scope 1 and 2 GHG emissions of investee companies; and
  - enterprise value including cash (EVIC) of investee companies;
 as determined by MSCI.

**Government bonds**

- **Exclusions:** the application of the exclusionary screen to the Fund's investments in government bonds is measured by the percentage of the Fund's government bonds which breach the exclusionary screen. The relevant sustainability indicator is therefore that 0% of the Fund's government bonds are in breach of the exclusionary criteria.
- **ESG tilt:** the application of the Fund's ESG assessment to the Fund's Government bonds benchmark aims to ensure that the government bonds in the Fund outperform a representative index of G7 government bonds (excluding Canada) determined by the Investment Adviser with regard to the MSCI ESG Government bonds rating.

**Credit**

- **Exposure to ESG CDS:** the sustainability indicator for this characteristic is the number of ESG-aligned CDS to which the Fund has exposure. The sustainability indicator should therefore be that the Fund has exposure to at least one ESG-aligned CDS which references the iTraxx MSCI ESG Screened Europe Index.

**Solution providers**

- The Fund measures the attainment of this environmental/social characteristic by the percentage of the Fund which has been allocated to products offered by solution providers (i.e., external fund managers) who fulfil the Investment Adviser's solution provider selection process.

● ***What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?***

The sustainable investments of the Fund (which could consist of directly held equity investments, government bonds or investments made indirectly through solution providers) will fall within one of the below categories:

- (i) equity investments which demonstrate a positive environmental or social contribution via revenue alignment. The Fund uses a combination of data sources (including MSCI Sustainable Impact Metrics data and ISS alignment data) to determine if more than 20% of the revenue of the sustainable investment aligns with any of the ISS SDG or MSCI impact themes;
- (ii) equity investments which demonstrate operational contribution to environmental themes (for example, by key resource efficiency indicators on the use of energy, or on the production of waste & greenhouse gas emissions) or social themes (for example, labour relations, community relations or investment in human capital). An investment meets this test if:
  - a. it has an environmental ESG pillar score, as defined by MSCI, which is within the range of environmental ESG pillar scores of the top 10 percentile of MSCI ACWI, provided that its social pillar score is not within the range of the pillar scores of the bottom 10 percentile of MSCI ACWI; or
  - b. it has a social ESG pillar score, as defined by MSCI, which is within the range of social ESG score of the top 10 percentile of MSCI ACWI, provided that its environmental pillar scores are not within the range of the pillar scores of the bottom 10 percentile of MSCI ACWI.

Additionally, a security will not be deemed to be operationally contributing to climate change or social themes if the environmental or social pillar score which is in the top 10 percentile of MSCI ACWI is deemed "not material" to the security by MSCI. MSCI deems environmental or social pillars as "not material" to the company if the company has limited effect on the environmental or social themes. For example, if a company's business has a limited physical presence and so it does not have any impact on the environment (so its environmental pillar score is weighted as "not material"), however its environmental pillar score still falls within the top 10 percentile of MSCI ACWI, it will not be deemed to be operationally contributing to climate change.

Where the Fund invests via solution providers (i.e., external fund managers), the underlying investee companies are expected to exceed either (a) the 20% revenue alignment threshold described in (i) above or (b) demonstrate operational contribution to environmental themes or social themes as described in (ii) above. Only those underlying investee companies which satisfy the tests described above shall be treated as constituting sustainable investments on a look-through basis, and contributing towards the proportion of the Fund's assets allocated towards sustainable investments; or

- (iii) sovereign bonds with a Government ESG Rating A or above, as determined by the MSCI ESG Government Rating.

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

● ***How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?***

The Fund seeks to ensure that the sustainable investments of the Fund do not cause significant harm to relevant environmental or social sustainable investment objectives by:

- testing whether the investment meets the thresholds set by the Investment Adviser for each of the Principle Adverse Sustainability Impact (“PAI”) indicators which are mandatory for the Investment Adviser to consider under the EU Sustainable Finance Disclosure Regulation (“SFDR”) rules and which are relevant to the investment; and
- ensuring that the sustainable investments of the Fund are aligned with the OECD Guidelines for Multinational Enterprises and the UN Principles on Business and Human Rights.

– ***How have the indicators for adverse impacts on sustainability factors been taken into account?***

The Investment Adviser seeks to exclude from the sustainable investments of the Fund, investments that cause harm to any of the PAI indicators (listed below) which are mandatory for the Investment Adviser to consider under the EU SFDR rules, and which are relevant to the investment. The Investment Adviser has determined specific thresholds for significant harm based on third-party data.

PAI indicators:

**Investee companies**

1. GHG emissions
2. Carbon Footprint
3. GHG intensity of investee companies
4. Exposure to companies active in the fossil sector
5. Share of non-renewable energy consumption and production
6. Energy consumption intensity per high impact climate sector
7. Activities negatively affecting biodiversity sensitive areas
8. Emissions to water
9. Hazardous waste ratio
10. Violations of UN Global Compact and OECD
11. Lack of processes and compliance mechanisms to monitor compliance with the UNGC and OECD
12. Unadjusted gender pay gap
13. Board gender diversity
14. Exposure to controversial weapons

**Sovereign**

1. Sovereign GHG intensity
2. Investee countries subject to social violations

The thresholds are set: (i) on an absolute value basis; (ii) on a relative basis in the context of the investment universe; or (iii) using pass/fail scores.

The Investment Adviser may use reasonable proxy indicators sourced from third parties to address the current lack of data for certain PAI indicators.

The Investment Adviser’s use of proxy indicators sourced from third parties will be kept under review and will be replaced by data from third-party data providers, when the Investment Adviser determines that sufficiently reliable data has become available.

- *How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:*

The Fund excludes investments in issuers that fail to comply with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, through excluding investments which are deemed not to comply with the themes and values promoted by the OECD Guidelines or UN Guiding Principles by a third-party data provider.

*The EU Taxonomy sets out a “do not significant harm” principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.*

*The “do no significant harm” principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.*

*Any other sustainable investments must also not significantly harm any environmental or social objectives.*

Regulation requires that this document include these statements. However, for the avoidance of doubt, this Fund does not: (i) take into account the EU criteria for environmentally sustainable economic activities in the EU Taxonomy; or (ii) calculate its portfolio alignment with the EU Taxonomy. As such, the Fund is 0% aligned with the EU Taxonomy. The “do no significant harm” principle applies only to the portion of the Fund’s investments that are sustainable investments.



### Does this financial product consider principal adverse impacts on sustainability factors?

- Yes  
 No

The sustainable investments of the Fund consider all of the mandatory PAI indicators on sustainability factors which are relevant to the investment, by screening out investments which do not meet certain thresholds set by the Investment Adviser for each of the mandatory indicators, as described above in response to the question, “How have the indicators for adverse impacts on sustainability factors been taken into account?”.

The equity investments of the Fund consider the following PAI indicators through the application of the Fund’s binding environmental or social characteristics (as described elsewhere in this document):

- **PAI indicators numbers 1-3 (GHG emissions, carbon footprint and GHG intensity of investee companies):** The Fund considers PAI indicators numbers 1-3 regarding GHG emissions in part through its equity investments. The Fund considers these indicators because:
  - it ensures that each regional basket of equity investments reduces its weighted average Scope 1 and 2 carbon emissions/EVIC by 7% each year as compared against the basket for that region for the previous year; and
  - it applies a tilt considering the Low Carbon Transition score to the equities held in the equity baskets. The Low Carbon Transition score is designed to identify potential leaders and laggards by measuring companies’ exposure to and management of risks and opportunities related to the low carbon transition and assesses carbon intensity of

each of our equity securities. The Low Carbon Transition score takes into account GHG emissions (scopes 1-3).

- **PAI indicator number 4 (exposure to companies active in the fossil fuel sector):** The Fund considers this PAI indicator in part through its investments in equities because it excludes issuers with high exposure to carbon-intensive activities, with a view to mitigation of climate-related financial risks. Namely, the fund excludes companies that derive 5% or more of their revenue from the mining of thermal coal or the extraction of oil sands.
- **PAI indicators numbers 7-9 (activities negatively affecting biodiversity-sensitive areas, emissions to water and hazardous waste and radioactive waste ratio):** The Fund considers these indicators in part through its investments in equities because it excludes investments in companies involved in ongoing severe structural controversy cases related to environmental harm where we believe appropriate remedial action has not been taken. These controversies include controversies relating to Biodiversity & Land Use, Toxic Emissions & Waste, Water Stress, Operational Waste (Non-Hazardous), Supply Chain Management amongst others.
- **PAI indicator number 10 (violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises):** The Fund considers this PAI indicator through its investments in equities because it excludes investments in issuers flagged in breach of selected global norms and conventions, including the United Nations Global Compact Principles (UNGC) and OECD Guidelines for Multinational Enterprises.
- **PAI indicator number 14 (exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)):** The Fund considers this PAI indicator through its investments in equities because it excludes investments in issuers which derive any revenue from controversial weapons (including all the controversial weapons listed for PAI number 14).

Information regarding the PAI indicators will be available in the Fund's SFDR periodic reports.



## What investment strategy does this financial product follow?

The Fund's investment objective is to provide an attractive level of total return, measured in Euro, by investing in a broad and balanced asset mix of both Equity and Fixed Income Securities while incorporating ESG considerations and taking into account the long-term global warming objectives of the Paris Agreement in relation to certain equity investments as noted above.

The investment process is subject to regular review, as part of a control and monitoring framework implemented by the Investment Adviser and the Management Company. Morgan Stanley Investment Management's Compliance, Risk and Portfolio Surveillance teams collaborate with the investment team to conduct regular portfolio / performance reviews and systemic checks to ensure compliance with portfolio investment objectives, investment and client guidelines, taking into account changing market conditions, information and strategy developments.

### • **What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?**

This Fund has a number of ESG features which are binding on the Fund's investment decisions and relate to different types of investments in the Fund, which are described in further detail in responses to previous questions.

#### **Equity investments**

With regard to the equity investments of the product, the Fund applies the following binding elements in the investment strategy:

**The investment strategy** guides investment decisions based on factors such as investment objectives and risk tolerance.

- **Exclusions:** the Investment Adviser imposes certain ESG exclusionary screens on all the equity investments of the Fund, as set out in the Fund’s [Restriction Screening Policy](#). These screens mean that the equity investments of the Fund will not include equities of issuers with certain specified criteria, as follows:
  - (1) with high exposure to carbon-intensive activities, such as mining thermal coal and extraction of oil sands;
  - (2) with ties to the manufacturing or production of controversial weapons or intended use components;
  - (3) that manufacture civilian firearms;
  - (4) that manufacture tobacco products or derive a certain percentage of their revenue from tobacco products;
  - (5) that derive a certain percentage of their revenue from gambling-related business activities;
  - (6) that derive a certain percentage of their revenue from adult entertainment activities; or
  - (7) that have experienced the most severe ESG controversy cases or are involved in ongoing severe structural controversy cases related to environmental harm and where the investment team believe appropriate remedial action hasn’t been taken.
- **ESG tilt:** as noted above, the Fund allocates its global equity investment to five regional baskets. The Investment Adviser seeks to ensure that each of the regional baskets outperform the equivalent benchmark for that region with regard to the ESG score and Low Carbon Transition score, as determined by MSCI. Finally, the core equity portfolio (which comprises all five regional baskets) as a whole will also seek to outperform MSCI ACWI index with regard to the scores referenced above.
- **Carbon budget:** The Fund allocates its global equity investment to five regional baskets, each of which is in turn composed of a number of sector baskets. The Investment Adviser aims to ensure that the securities comprising each regional basket will reduce their weighted average total Scope 1 and 2 carbon emissions/EVIC by 7% each year as compared against the basket for that region for the previous year. The Investment Adviser aims to accomplish this on an ongoing basis by overweighting/underweighting sector baskets within that regional basket to meet the 7% reduction target. This carbon budget characteristic applies to investments in equity securities made directly by the Fund, but does not apply to equity securities held by the fund indirectly through investments in exchange-traded funds (ETFs) or other types of fund.

### **Government bonds**

With regard to the Government bond investments of the product, the Fund applies the following binding elements in the investment strategy:

- **Exclusions:** The Fund aims to avoid investing in the bonds of countries with a current ESG Government Rating of “CCC”. The ESG Government Ratings (as determined by MSCI) identify a company’s exposure to and management of environmental, social and governance risk factors and consider how these factors might impact the long-term sustainability of its economy.
- **ESG tilt:** The Fund uses a proprietary GBaR Government ESG score to assess and compare each government issuer to create a proprietary Sovereign ESG benchmark upon which the Investment Adviser overlays credit research. The GBaR Government ESG Score is calculated by combining:
  - the ESG score of the government, as determined by the MSCI ESG Government Rating; and
  - the year-on-year change in numeric ESG score as rated by MSCI under the MSCI ESG Government Ratings framework.

The Investment Adviser will then overweight sovereigns which are outperforming the average performance in the Bloomberg Global G7 Total Return Index (excluding elements of that index which concern Canada, as Canadian government bonds do not form part of the Fund’s investment universe), with regard to the GBaR Government ESG Score, while underweighting



those that perform worse than the average. This process, however, remains subject to the Investment Adviser's credit research overlay, which may result in changes to the weightings of sovereigns resulting from the process described to account for the Investment Adviser's views on the credit quality of those sovereigns. In limited circumstances, application of the Investment Adviser's credit overlay could result in sovereign bonds held by the Fund not outperforming the benchmark on ESG issues, though the Investment Adviser does not expect that this will generally be the case.

### **Credit**

- **Exposure to ESG CDS:** As stated above, the Fund sells credit protection under index CDS in order to gain exposure to corporate credit. The Fund will gain this exposure through at least one ESG-aligned CDS, which references the iTraxx MSCI ESG Screened Europe Index. Exposure to this index seeks to promote human health and wellbeing, excludes issuers with ESG controversies and promotes the monitoring of ESG risks, because MSCI applies a screen to the index constituents to exclude the following entities:
  - entities breaching specific revenue thresholds due to their involvement in the following activities: adult entertainment; alcohol; civilian firearms; controversial weapons; conventional weapons; gambling; genetic engineering; nuclear power; nuclear weapons; tobacco and thermal coal;
  - entities with MSCI ESG controversy scores of 0. The MSCI ESG controversy scores measures how well an entity adheres to international norms and principles such as the UN Global Compact and ILO Core Conventions, and it rates entities based on a scale of 0 to 10; and
  - entities with MSCI ESG rating of BBB and below. MSCI ESG ratings aim to measure the key ESG risks and opportunities faced by a company and how well those risks are managed with respect to its industry peers.

### **Solution providers**

The Fund Adviser commits to allocating a minimum of 5% of investments (as measured by the total fund value) to products offered by solution providers (i.e., external fund managers) who invest in businesses and activities that seek to provide solutions across a number of ESG themes.

**Good governance** practices include sound management structures, employee relations, remuneration of staff and tax compliance.

- ***What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?***

Not applicable; no committed minimum rate of reduction.

- ***What is the policy to assess good governance practices of the investee companies?***

The Fund does not invest in companies that have experienced very severe governance controversies (such as bribery & fraud, tax evasion, governance structures, etc).

With regard to the ESG CDS held by the Fund, the iTraxx MSCI ESG index excludes companies which have been involved in the most severe ESG controversies (which includes governance controversies) and companies which have MSCI ESG ratings of BBB and below (which incorporates consideration of governance themes). The Fund therefore considers the governance of the underlying companies of the iTraxx MSCI ESG index through reliance on the screening of the index's companies.



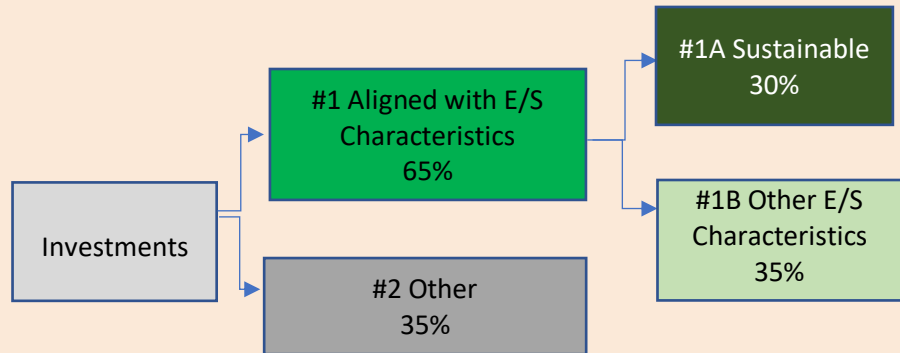
### Asset allocation

describes the share of investments in specific assets.

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.

## What is the asset allocation planned for this financial product?



**#1 Aligned with E/S characteristics** includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

**#2 Other** includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

The category **#1 Aligned with E/S characteristics** covers:

- The sub-category **#1A Sustainable** covers sustainable investments with environmental or social objectives.
- The sub-category **#1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.

The Investment Adviser will seek to ensure that 65% or more of the Fund's investments are aligned with E/S characteristics. As described above, however, the relevant E/S characteristics vary depending on the nature of the Fund's investment. The below provides an indication of the proportion of the Fund's assets expected to promote the environmental or social characteristics described, based on historical data. Investors should note, however, that actual asset allocations may vary significantly over time due to the asset mix determined by the Investment Manager and as a result of investment performance.

- Equity investments are expected to make up between 20% to 70% of the Fund's portfolio (as measured by the total Fund value). The screens, ESG tilt and carbon budget features of the Fund are applied to all the direct equity investments of the Fund.
- Credit exposure obtained via investment in the ESG index CDS product is expected to make up approximately 5% to 10% of the Fund's portfolio (as measured by the total Fund value).
- Investments in government bonds are expected to make up approximately 15% to 35% of the Fund's portfolio (as measured by the total Fund value). The selection process for government bonds incorporates the ESG features described above.
- The investment allocated to solution providers (i.e., external fund managers) makes up at least 5% of the Fund's portfolio (as measured by the total Fund value).

As explained above, the ESG tilt of the equity investments is applied at the level of the five regional baskets and the portfolio of equity investments, not at the level of individual holdings. Some investee companies may therefore have an ESG score or Low Carbon Transition score lower than the average for the regional basket or for the whole portfolio of equity investments). Similarly, the carbon budget of the equity investments is applied at the portfolio level of all the equity investments (and not at the level of individual holdings, which may on an individual basis have higher carbon emissions than the average for all the equity investments).

30% of the Fund's investments are expected to consist of sustainable investments. Among these, the Fund commits to make a minimum of 1% of sustainable investments with an environmental objective and 1% of sustainable investments with a social objective which can both vary independently at any time.

It is anticipated that up to 35% of the Fund's assets may be invested in hedging and/or cash instruments for efficient portfolio management purposes, other instruments which do not align with any environmental or social characteristics, or investments for which adequate data is not available.

● ***How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?***

The Fund sells credit protection under index CDS in order to gain exposure to corporate credit. The Fund will gain this exposure through at least one ESG-aligned CDS, which references the iTraxx MSCI ESG Screened Europe Index. This index which has ESG features as described in our response to the question, "What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?". In addition, the Fund will gain exposure to corporate credit through other ESG-aligned CDS where available and appropriate.



**To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?**

Not applicable – the Investment Adviser does not take account of the EU Taxonomy in its management of the Fund and as such the Fund's sustainable investments do not take into account the criteria for environmentally sustainable economic activities under the EU Taxonomy.

● **Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy<sup>1</sup>?**

- Yes:  
 In fossil gas     In nuclear energy  
 No

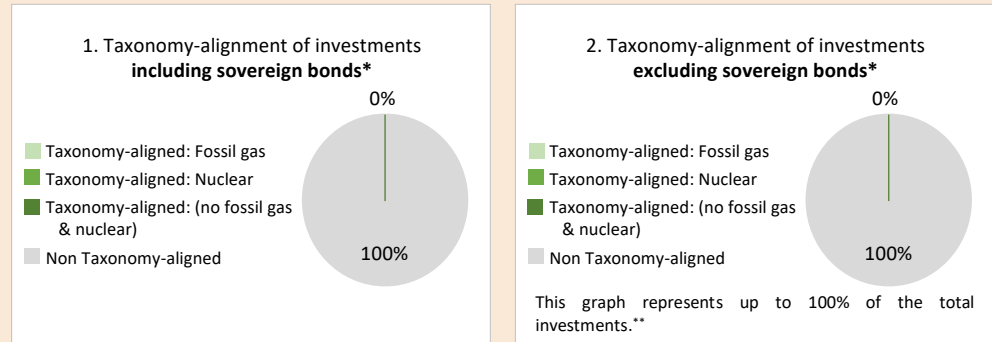
<sup>1</sup> Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objective – see explanatory note in the left-hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

To comply with EU Taxonomy, the criteria for **fossil gas** include limitations on emission and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

**Transitional activities** are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

*The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.*



\* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures.

\*\*The proportion of total investments shown in this graph is purely indicative and may vary over time. As the Fund does not commit to making sustainable investments aligned with the EU Taxonomy, the proportion of any sovereign exposure in the Fund's portfolio will not impact the proportion of sustainable investments aligned with the EU Taxonomy included in the graph.

● **What is the minimum share of investments in transitional and enabling activities?**

Not applicable - Although the Fund commits to invest in sustainable investments within the meaning of the SFDR, there is no commitment to a minimum share of investments in transitional and enabling activities.



are sustainable investments with an environmental objective that **do not take into account** the criteria for environmentally sustainable economic activities under the EU Taxonomy.

### What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?

The Fund intends to make a minimum of 30% of sustainable investments, as defined under the SFDR. Among these, the Fund commits to make a minimum of 1% of sustainable investments with an environmental objective and 1% of sustainable investments with a social objective which can both vary independently at any time. These sustainable investments will represent at least 30% of the portfolio holdings on an aggregated basis.

The Fund's sustainable investments with an environmental objective **do not take into account the criteria** for environmentally sustainable economic activities under the EU Taxonomy.

Although some of these sustainable investments may be Taxonomy aligned, due to lack of available data regarding the Taxonomy alignment of the underlying securities, the Investment Adviser has not been able to confirm whether these investments are in fact Taxonomy aligned and accordingly will not consider them as such in calculations until this data is reported on or otherwise becomes more reliable.



### What is the minimum share of socially sustainable investments?

The Fund intends to make a minimum of 30% of sustainable investments. Among these, the Fund commits to make a minimum of 1% of sustainable investments with an environmental objective and 1% of sustainable investments with a social objective which can both vary independently at any time. These sustainable investments will represent at least 30% of the portfolio holdings on an aggregated basis.



### What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?

Investments categorised as “#2 Other” include:

- hedging instruments;
- cash held as ancillary liquidity;
- investments for which the investment team is lacking data in order to assess if they qualify as sustainable investments or if they promote environmental or social characteristics;
- any other investments which neither promote environmental or social characteristics, nor qualified as sustainable investments (such as derivatives used for speculative purposes which do not have any ESG features).

There are no minimum environmental or social safeguards applied to such investments.



### Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?

Not applicable

**Reference benchmarks** are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.



## Where can I find more product specific information online?

More product-specific information can be found on the website:

[https://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite\\_msinvf\\_globalbalancedsustainable\\_en.pdf](https://www.morganstanley.com/im/publication/msinvf/regulatorypolicy/sfdrwebsite_msinvf_globalbalancedsustainable_en.pdf)

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