Morgan Stanley | INVESTMENT MANAGEMENT

Marketing Communication

SFDR Article 8 Website Disclosure

Morgan Stanley Investment Funds

JANUARY 2026

This document applies to each of the following products (“the fund”):

Product	Legal entity identifier
Global Brands Horizon 2029	254900R7G7PCZCT7QT89

SFDR Article 8 Website Disclosure

Summary

No Sustainable investment objective

This financial product promotes environmental or social characteristics but does not have as its objective sustainable investment.

Equity Allocation
The fund commits to invest a proportion of its assets in companies classified as sustainable investments through an assessment comprising three tests (as per SFDR):

1. Good governance: this test seeks to ensure all companies are considered by the investment manager to follow good governance practices to be included in the fund's portfolio;
2. 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 including the international norms set out in the SFDR rules;
3. Positive contribution: this test seeks to ensure that companies classified as sustainable investments are classified based on their net positive alignment with the UN Sustainable Development Goals ("SDGs").

Environmental or social characteristics of the financial product

Bond Allocation
The fund promotes the social characteristic of limiting negative social externalities by avoiding investments in sovereign issuers that significantly violate social rights or are subject to certain international sanctions.

Equity Allocation
The fund promotes the environmental characteristic of climate change mitigation by excluding investments in: (i) companies involved in certain fossil fuel related activities; and (ii) companies in certain energy intensive sectors.

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, the fund commits to invest a proportion of its assets in companies classified as sustainable investments through an assessment comprising three tests (as per SFDR) as outlined above.

Investment Strategy

Bond Allocation
The investment manager seeks to invest using a flexible discretionary strategy that selects bonds that appear to offer the best return for their risk level while considering the fund's overall target asset allocation.

The fund meets its environmental and social characteristics through exclusions of sovereign issuers which are (a) in the bottom-10% ranked countries for social violations, based on the Investment Manager's custom indicator; or (b) subject to sanctions from the United Nations or the European Union.

Equity Allocation
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.

As an integrated part of the investment process, the investment manager assesses relevant factors potentially material to long-term sustainably high returns on operating capital including ESG factors and seeks to engage with companies as part of this.

The fund seeks to meet its environmental and social characteristics by applying binding exclusions on companies: (i) involved in certain fossil fuel related activities; (ii) in certain energy intensive sectors; (iii) companies whose core business activity involves weapons or civilian firearms; and (iv) that have any tie to controversial weapons.

The investment process focuses on identifying high quality companies that can sustain their high returns on operating capital over the long term. Good governance of investee companies is integral to this assessment. Governance criteria are embedded in the investment process and considered as part of initial research and portfolio selection. On-going monitoring is done through engagement with companies as well as by using company data, third-party data and governance-related controversy screens, where relevant.

Proportion of Investments

Aligned with E/S characteristics	***90%***
Sustainable investments	*1%*
Taxonomy aligned	*0%*
Other environmental	*0%*
Social	*0%*
Other E/S characteristics	*89%*
Other investments	***10%***

Percentages are measured according to the value of the investments.

The entirety of investments aligned with the environmental and social characteristics offer direct exposure to investee entities.

Monitoring of environmental or social characteristics

The fund is actively managed by the investment manager 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 manager and the management company. The investment manager'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 which the fund seeks to promote are incorporated within the investment guidelines and are subject to ongoing monitoring by the investment manager. Morgan Stanley Investment Management's Portfolio Surveillance team also codes the investment guidelines into the firm's surveillance system.

Methodologies

Compliance with the exclusionary screens is measured based on the exclusionary criteria and the percentage of the fund's investments which breach the exclusionary screens for both the Bond and Equity Allocation.

For the Equity Allocation, compliance with the sustainable investment commitment is measured by the percentage of the fund's investments which are classified as sustainable investments and the attainment of the fund's minimum commitment.

Data sources and processing

The investment manager uses ESG data from various external vendors. The data is collected and stored in Morgan Stanley's centralised ESG data repository to allow any Morgan Stanley business unit, including Morgan Stanley Investment Management (MSIM) investment teams, to access the information for research, portfolio analysis and construction, and client and regulatory reporting.

Due to gaps in data coverage, a small proportion of the data which is used to assess alignment with environmental / social characteristics is estimated by third-party data providers.

Limitations to methodologies and data

The fund may use reasonable proxy data for PAI indicators where the Investment manager considers that the data is not widely or reliably available. For further details of data limitations, please see the full website disclosure.

The investment manager takes reasonable steps to ensure that the fund is able to meet its environmental and social characteristics despite these limitations, including reviewing and assessing proxies to ensure they are reliable substitutes for the ESG themes promoted by the relevant PAI indicator.

Due diligence

Bond Allocation

The investment manager will invest in government bonds issued by European countries which comply with the investment manager's proprietary Government Social Violation indicator, such as Italian BTPs. The fixed income portfolio is designed to limit interest rate risk for buy and hold investors, maximise risk adjusted returns and comply with UCITS diversification rules.

Equity Allocation

The investment manager uses bottom-up fundamental analysis to invest in high quality companies at reasonable valuations that can sustain their high returns on operating capital over the long term. After an initial quantitative screen for a number of financial characteristics which the investment manager believes characterise strong business franchises, the investment manager analyses whether a company can continue to deliver sustainably high returns on operating capital with an evaluation of franchise quality, management capability and financial strength, together with an assessment of potentially financially material ESG factors, as described above.

Engagement policies

Bond Allocation

The investment manager does not engage with bond issuers.

Equity Allocation

The investment process is focused on understanding the long-term sustainability of a company's returns on operating capital and engagement plays a role in this. It is an input in helping the investment manager understand whether management can and/or will maintain returns while growing the business over the long term. This includes direct engagement with companies on potentially financially material ESG risks and opportunities.

Engagement generates knowledge that is one factor that could affect the investment view, valuation, weighting or buy/ sell discipline.

Designated reference benchmark

The fund has not designated a reference benchmark for the purpose of attaining its environmental or social characteristics.

SFDR Article 8 Website Disclosure

No Sustainable investment objective

This financial product promotes environmental or social characteristics but does not have as its objective sustainable investment.

Equity Allocation
The fund commits to invest a proportion of its assets in companies classified as sustainable investments through an assessment comprising three tests (as per SFDR):

- **Good governance**: this test seeks to ensure that all companies are considered by the investment manager to follow good governance practices to be included in the fund's portfolio;
- **Do no significant harm:** 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 indicators. This test includes seeking 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
- **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.

Further detail regarding the good governance test can be found in the section below titled "*Investment strategy*" (*Governance practices of investee companies*), while details of the remaining tests can be found in the section below titled "*Methodologies for environmental and social characteristics*".

Environmental or social characteristics of the financial product

The fund gradually transitions its asset allocation from investing 90% of its assets in bonds (excluding cash) at launch ("**Bond Allocation**"), to investing up to 100% of its assets (excluding cash) in equities at the end of a four-year investment period ("**Equity Allocation**").

The environmental and social characteristics are as follows:

Bond Allocation:

- the fund promotes the social characteristic of limiting negative social externalities by avoiding investments in sovereign issuers that significantly violate social rights or are subject to certain international sanctions.

Equity Allocation:

- the fund promotes the environmental characteristic of climate change mitigation by excluding investments in: (i) companies involved in certain fossil fuel related activities; and (ii) companies in certain 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, the fund commits to invest a proportion of its assets in companies classified as sustainable investments through an assessment comprising three tests (as per SFDR).

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 the section titled “Investment Strategy”.

Investment Strategy

The fund gradually transitions its asset allocation from the Bond Allocation to the Equity Allocation.

Bond Allocation
The investment manager seeks to invest using a flexible discretionary strategy that selects bonds that appear to offer the best return from their risk level while considering the fund’s overall target asset allocation.

The fund will not invest in sovereign issuers which:
- are in the bottom-10% ranked countries for social violations, based on the investment manager’s custom indicator; or
- are subject to sanctions from the United Nations or the European Union.

The social violations custom indicator is calculated by the investment manager 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.

Equity Allocation

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.

As an integrated part of the investment process, the investment manager assesses relevant factors potentially 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 and its binding Article 8 characteristics (as explained below), 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 potentially material risks or opportunities in any of the ESG areas which could potentially threaten or enhance the high returns on operating capital of a company.

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 companies 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.

1. Environmental characteristics

The fund promotes the environmental characteristic of climate change mitigation by excluding investments in any company that the investment manager determines:

Fossil fuel-related activities: has involvement in fossil fuel activities, based on classifications from the investment manager's third-party data provider, where the company:

- has any tie to thermal coal: production, distribution, reserves, or power generation;
- has any tie to oil and gas reserves;
- generates revenue above the thresholds set by the investment manager from the following oil and gas-related business activities:

  (a) extraction, production, refining, drilling, exploration, pipelines, transportation, petrochemicals, installed natural gas and liquid fuel capacity, or power generation from liquid fuels or natural gas (>0% revenue);

  (b) oil and gas services, distribution, or retail activities (>10% revenue).

Sector or industry classification: 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 which has revenues above the thresholds defined by the investment manager (as set out below) related to the following business activities, classified by the investment manager's third-party data provider:

  a. Civilian firearms: production, wholesale or retail of firearms and ammunition intended for civilian use (>10% revenue);

  b. Weapons: production of conventional, biological or chemical, nuclear weapons and blinding laser, incendiary or non-detectable fragments weapons and related activities as defined by the third-party data provider (>10% revenue); or

  c. Depleted uranium: production of depleted uranium weapons (>0% revenue) or through indirect ownership as defined by the third-party data provider.

- the fund shall also not invest in any company that has any tie to controversial weapons as defined by the investment manager's third-party data provider.

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 manager, taking into account the best interests of the Shareholders of the fund.

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 in the fund's SFDR Website Disclosure.

3. Sustainable investments

As noted above, the fund commits to invest a proportion of its assets in companies classified as sustainable investments through an assessment comprising three tests (as per SFDR):

i. **good governance:** this test seeks to ensure that all companies are considered by the investment manager to follow good governance practices to be included in the fund's portfolio;

ii. **do no significant harm:** 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 indicators; 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.

Bond Allocation and Equity Allocation

Subject to the fund's investment objective and its binding Article 8 characteristics (as explained above), the investment manager retains discretion over which investments are selected for inclusion in the fund.

Governance practices of investee companies

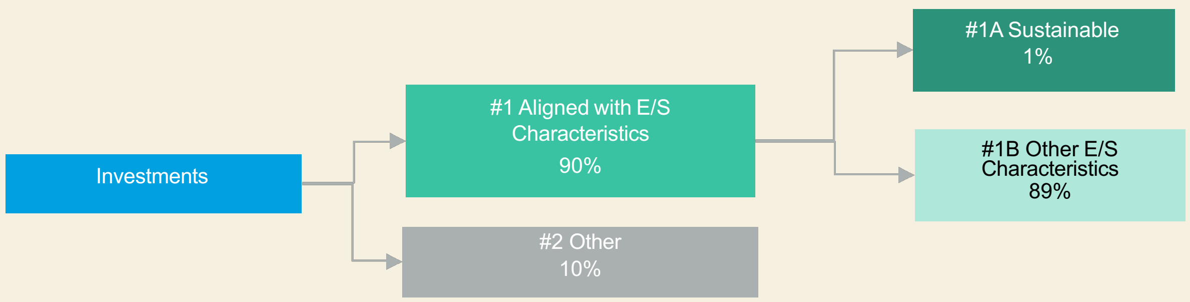
Bond Allocation
The investment manager assesses investee sovereign issuers' government effectiveness, political stability, control of corruption, and regulatory quality, among other factors. This is done through the monitoring of data on governance-related, as well as on other environmental and/or social factors and controversies, sourced from third-party providers, and through in-house research.

Equity Allocation
The investment process is focused on identifying high quality companies that can sustain their high returns on operating capital over the long term. 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.

As part of its assessment, in order to meet the SFDR regulatory requirements, the investment manager also has regard to third-party proxy indicators as considerations relating to 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. A company has to be considered by the investment manager to have good governance practices overall to be included within the portfolio. In reaching this determination, the investment manager may take into account any remedial actions being undertaken by a company on a particular governance issue.

The investment manager also engages with companies on issues potentially material to the sustainability of company returns on operating capital. Direct engagement with companies on potentially financially material ESG risks and opportunities, and other issues, plays a role in informing the investment manager 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.

Proportion of investments



#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 environmental and social exclusions are expected to apply to at least 90% of the portfolio, covering both the Bond and Equity Allocations. The investment manager 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.

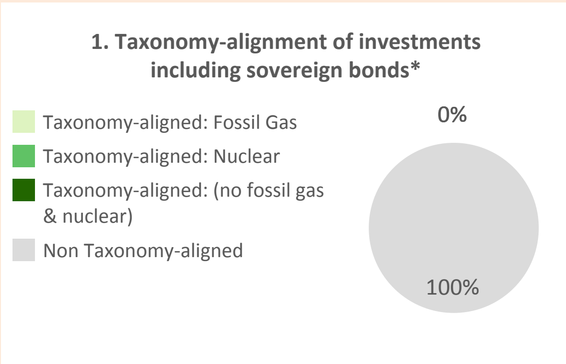
The fund also expects a minimum of 1% of assets to be classified as sustainable investments.

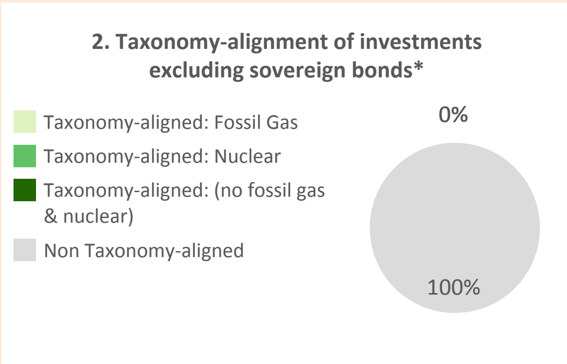
The Bond Allocation is not expected to have any assets classified as sustainable investments.

All percentages are measured according to the value of the investments.

Taxonomy disclosures
The fund does not commit to invest a minimum proportion of its assets in companies classified as sustainable investments with an environmental objective aligned with 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.*

Monitoring of environmental or social characteristics

The fund is actively managed by the investment manager 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 manager and the management company. The investment manager's Compliance, Risk and Portfolio Surveillance teams collaborate with the portfolio management teams of this fund to conduct regular portfolio/performance reviews and systemic checks to ensure compliance with portfolio investment objectives and investment 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 manager. 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.

Bond and Equity Allocation

Investments that are held by the fund but become restricted because they breach the exclusionary criteria, as set out in the "Investment strategy" section 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.

Equity Allocation

If the investment manager considers that the portfolio no longer meets the fund's commitment to invest at least 1% of its assets in companies classified as sustainable investments, the investment manager will take such remedial action as it determines to be appropriate. Any such remedial action will be taken over a time period to be determined by the investment manager, considering the relevant circumstances and best interests of the shareholders of the fund.

Methodologies for environmental and social characteristics

Exclusions

Bond and Equity Allocation
Compliance with the environmental and social exclusionary screens is measured based on the exclusionary criteria and the percentage of the fund's investments which breach the exclusionary screens.

Sustainable Investments

Bond Allocation

Not applicable.

Equity Allocation

As noted above, the fund commits to invest a proportion of its assets in companies classified as sustainable investments through an assessment comprising three tests (as per SFDR). Compliance with the sustainable investment commitment is measured by the percentage of the fund's investments which are classified as sustainable investments and the attainment of the fund's minimum commitment.

Positive contribution to an environmental or social objective
The positive contribution to an environmental or social objective test applied by the investment manager seeks to ensure that companies classified as sustainable investments are classified based on their net positive alignment with the UN SDGs. This is primarily determined using net alignment scores obtained from third-party data providers.

The UN SDGs include environmental (e.g. SDG 13: Climate Action) and social (e.g. SDG 3: Good Health and Well-Being) objectives. The third-party data providers' net alignment scores indicate whether companies in the providers' coverage universe have a net positive alignment with each of the UN SDGs through their products and services (e.g. a health care company's essential medical products may be positively aligned with SDG 3: Good Health and Well-Being) and/or their operational alignment (e.g. a company with a robust carbon reduction plan may be positively aligned with SDG 13: Climate Action . More information on the UN SDGs can be found at: https://www.undp.org/sustainable-development-goals. The investment manager 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.

In the first instance, the investment manager classifies a company as having a positive contribution to an environmental or social objective as simultaneously meeting three criteria using the third-party data: 1) having a net positive aggregate alignment score across all the SDGs; 2) having sufficient net positive alignment with at least one individual SDG; and 3) not having a material net mis-alignment with any of the SDGs.

In limited cases, and where it is satisfied that it is appropriate to do so based on its internal research, engagement with the company and/or other data sources, the investment manager may treat a company as failing or passing its positive contribution test, contrary to the position indicated by the third-party SDG net alignment scores. The investment manager may do this when, for example, it considers the third-party SDG net alignment data to be out of date or incorrect.

Do No Significant Harm

In the first instance, the fund uses data from third-party providers to assess the mandatory PAI indicators. The fund may use reasonable proxies for those PAIs for which the investment manager 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' PAI indicators). These proxies will be kept under review and will be replaced by data from third-party providers when the investment manager determines that sufficiently reliable data has become available.

To determine whether significant harm is caused, initial thresholds for each mandatory PAI indicator are generally set in one of the following 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;
- for indicators based on quantifiable numerical data (e.g. 'GHG intensity of investee companies'), the initial threshold set by the investment manager is based on either:
    - a relative level where the worst performers within the broader investable universe (which is limited to issuers for which data is available, subject to the exceptions noted below) are deemed to fail the initial test; or
    - an absolute level where companies which perform above/below a defined level (as appropriate) are deemed to fail the initial test.

For each mandatory PAI indicator, where data is not available, a company is deemed to fail the initial test and cannot be classified 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 company, and therefore does not provide data on that PAI indicator, the company is deemed to pass the initial test on the basis that the company's activities are unlikely to be causing significant harm to the environmental or social theme covered by that PAI indicator. The investment manager will keep the third-party data providers' 'not meaningful' assessment under periodic review.

In limited cases, and where it is satisfied that it is appropriate to do so based on its internal research, engagement with the company and/or other data sources, the investment manager may treat a company as failing or passing its DNSH test, contrary to the position indicated by the third-party data. The investment manager may do this when, for example, it considers the third-party data to be out of date or incorrect, or where the investment manager considers that a company is taking appropriate and credible remedial actions to rectify its failings on a PAI, subject to the investment manager's ongoing review and tracking of the company's remedial actions.

As part of its long-term investment approach, the investment manager seeks to engage with companies to encourage them 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 manager considers a particular PAI indicator to be potentially financially material to the long-term sustainability of high returns on capital).

Alignment with OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights

As part of the investment manager's 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.

As noted above, the assessment is based on information obtained from third-party data providers or, where the investment manager considers it appropriate, internal research, engagement with the company and/or other data sources.

The investment manager uses the OECD Guidelines for Multinational Enterprises and the UN Global Compact as reasonable proxies.

Data sources and processing

The investment manager uses ESG data from various external data vendors. This data is collected and stored in Morgan Stanley's centralised ESG data repository, to allow any Morgan Stanley Business Unit, including MSIM, to access the information for research, portfolio analysis and construction, and client and regulatory reporting.

MSIM assesses data quality by liaising with the different data providers to obtain updates to the datasets as the regulation evolves. They also ensure that ESG data adheres to the Firm's data governance and quality standards through procedures to assess the appropriateness and delivery of data feeds. MSIM also conducts, as appropriate, due diligence on the external data providers in order to assess whether their methodologies are appropriate for the intended use case.

Due to gaps in data coverage, a small proportion of the data which is used to assess alignment with E/S characteristics is estimated by third-party data providers.

Limitations to methodologies and data

Bond Allocation

The country-level data sourced by third-parties, and used by the investment manager as part of its proprietary sovereign ESG scoring methodology and custom indicator on social violations, is updated only on an annual basis

Equity Allocation

As noted above, some of the data which is used to assess alignment with E/S characteristics is estimated due to lack of availability of reliable data. The fund may use reasonable proxies for those PAI indicators for which the investment manager considers that the data is not widely or reliably available. Currently the investment manager uses proxy data to assess significant harm for the following PAIs:

- PAI indicator 12: Unadjusted gender pay gap;
- PAI indicator 7: Activities negatively affecting biodiversity sensitive areas; and
- PAI indicator 8: Emissions to water.

These proxies will be kept under review and will be replaced by data from third-party data providers, when the investment manager determines that sufficiently reliable data has become available. This limitation does not affect how the environmental and social characteristics promoted by the fund are met because the proxies are reviewed and assessed by the investment manager to ensure they are appropriate substitutes.

Additionally, the below outlines some of the key themes and commonalities which may also contribute to limitations in data and/or poor data quality:

- methodology differences between data providers
- discrepancies in reported vs. estimated carbon emissions data such as Scope 3 emissions
- data lags i.e., reporting timelines for data may not align with SFDR reporting timelines
- data coverage gaps across asset classes, geographies, and market capitalisation

Despite these limitations, some of which impact all consumers of ESG data and are not particular to MSIM, the investment manager does not consider that these limitations hinder the fund’s ability to meet its environmental and social characteristics and takes reasonable steps to manage this risk, including by reviewing and assessing proxies to ensure they are reliable substitutes and through MSIM level procedures to assess data quality.

Due diligence

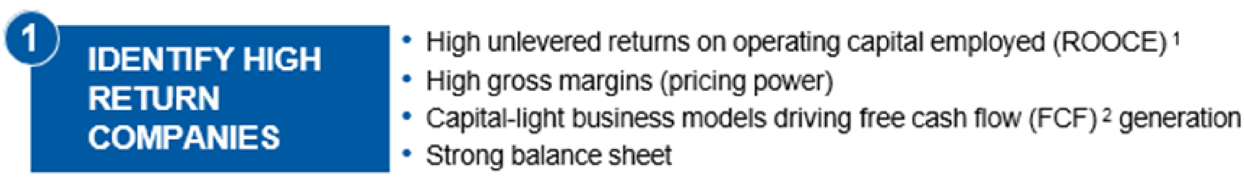
Bond Allocation
The investment manager will invest in government bonds issued by European countries, which comply with the investment manager’s proprietary Government Social Violation indicator, such as Italian BTPs.

The fixed income portfolio, and more specifically Italian BTP investments, is designed to take into account several objectives, such as:

- To match target asset allocation schedule (asset-liability framework) in order to limit interest rate risk for buy and hold investors;
- To maximise risk adjusted returns given the interest rate curve shape;
- To comply with UCITS diversification rules only standard fixed coupon bullet bond are considered

Equity Allocation
The investment manager uses bottom-up fundamental analysis to invest in high quality companies at reasonable valuations that can sustain their high returns on operating capital over the long term. After an initial quantitative screen for a number of financial characteristics which the investment manager believes characterise strong business franchises, the investment manager analyses whether a company can continue to deliver sustainably high returns on operating capital with an evaluation of franchise quality, management capability and financial strength, together with an assessment of relevant potentially financially material ESG factors.

Quality Screening of the Investment Universe, Post Exclusions



The investment process is based on bottom-up stock selection, beginning with a quantitative screen to identify high return companies.

The investment manager uses FactSet Research Systems, a financial database and analytical tool, to screen for various financial characteristics we associate with strong business franchises including high gross margins, high returns on operating capital, low capital expenditure as a percentage of sales and strong balance sheets.

2 MAKE SURE RETURNS ARE SUSTAINABLE

- Ability to remain relevant through powerful intangible assets including brands and networks, sustaining high barriers to entry
- Returns sustainable against material threats or improvable through material opportunities, including Environmental or Social factors
- Strong market shares helping to protect against new entrants
- Stable sales – often repeat business driving recurring revenues
- Steady organic growth & geographic spread

The investment manager then analyses the sustainability of a company's returns with an evaluation of franchise quality, management capability and financial strength, together with an assessment of potentially financially material ESG factors.

Franchise Quality: The investment manager believes that high quality companies have potential for a sustainable competitive advantage by virtue of their intangible assets, which are generally difficult to re-create or duplicate by competitors. These powerful and durable intangible assets may include strong brand recognition, licensing agreements, customer loyalty, patents and networks, copyrights and distribution networks.

ESG considerations are an integrated part of the investment and risk assessment process and are assessed directly by the investment manager. The investment manager focuses on potentially financially material ESG risks and opportunities that may affect the sustainability of future returns on operating capital. Where relevant, these ESG risks and opportunities are considered in the bottom-up fundamental research conducted for a new portfolio candidate. Once a company is held in the portfolio, ESG considerations continue to be part of ongoing analysis and may inform the investment manager's engagement with the company, where relevant.

3 CONFIRM MANAGEMENT'S COMMITMENT TO SUSTAINING RETURNS

- Focus on return on capital rather than sales or EPS growth
- Capital discipline (reinvest at high returns or return the excess capital to shareholders)
- Commitment to innovation and investment in franchises
- Review management incentives
- Sound Governance structure
- Engagement on financially material issues or opportunities where relevant, including ESG factors

Management Capability: A key characteristic of a compounder relates to the quality and focus of its management. Interviewing management is a valuable part of the research process. Franchise or brand abuse is an important consideration. It is important that management is not distracted from the long-term task of building and improving the company's intangible assets by the temptation to meet short-term targets. Cuts to advertising and promotion, or research and development budgets, either in absolute terms or as a percentage of sales, can have long-term negative consequences to franchise strength and brand recognition. Compounders enjoy sustainably high returns on operating capital employed, typically generated by a combination of recurring revenues, high gross margins and low capital intensity. This supports strong free cash flow generation which the investment manager wants to see management reinvest at high rates of return and/or distributed to shareholders.

The investment manager's investment process is focused on understanding the long-term viability of a company's returns on operating capital and engagement plays a vital role in this. It is an input in helping the investment manager understand whether management can maintain returns while growing the business over the long term. Dialogue with companies on engagement topics can be prolonged and require multiple engagements. As shareholders with an owner's mindset, the investment manager's engagement approach is aligned to their long-term investment horizon.

The investment manager then values the stock candidate, seeking to minimise the risk of overpaying.

4 VALUATION

- A focus on free cash flow, not accounting numbers
- FCF yield, DCF, EV/NOPAT[3]

Valuation: In the investment manager's opinion, the most accurate measure of value is on an absolute rather than relative basis. The investment manager's valuation analysis for non-financial companies is rooted in free cash flow analysis. The investment manager typically uses 10-year Discounted Cashflows (DCFs), cross checked with a variety of multiples, primarily free cash flow yields. Depending on the company and / or industry, the investment manager can also triangulate valuation with price-earnings ratios and EV/NOPAT (to adjust for leverage, where useful). For more cyclical companies, the investment manager can also look at EV/Sales, EV to invested capital and price to book. This model is used by all members of the team to ensure the investment process is applied consistently.

The investment manager uses a market cost of equity of around 8% (3% risk-free, 5% equity risk premium). The cost is generally lower than this for companies in the portfolio given their quality. Where the investment manager identifies potentially financially material risks to a company's long-term compounding ability, the investment manager may adjust aspects of the financial model, such as the WACC (weighted average cost of capital) or the terminal growth rate.

The cost of equity has not moved in response to government bond yields.

The portfolio manager/analyst responsible for the stock sets a price target for all potential buys presented to the investment manager as a component of the investment thesis. These values are reviewed periodically based on developments in the stock and the markets.

5 PORTFOLIO CONSTRUCTION (~ 20 to 40 stocks)

- Weights influenced by absolute level of risk, the team's level of conviction, liquidity, and financially material ESG considerations
- 10% max at time of purchase in any one security
- No country or sector limits. Typical industry limit of 25%
- Does new idea offer better risk / reward tradeoff?

If the stock is considered a potential candidate for the portfolio, it will be presented at the weekly investment meeting for debate. When a stock is purchased for the portfolio, the weighting is influenced by the absolute level of risk, the investment manager's level of conviction, its valuation and liquidity, and any potentially financially material ESG considerations.

6 ACTIVE OWNERSHIP

ONGOING

- Test investment thesis with management
  - Direction of returns
  - Developing opportunities or threats
  - Capital allocation intentions
  - Review management incentives
  - Financially material ESG developments and direction
  - Management changes
- Proxy voting & engagement – not outsourced

EVENT DRIVEN

- Assess materiality with companies
  - **Capital allocation**
    - What
    - Why
    - Impact
  - **Material event**
    - What
    - Why
    - Impact
    - Fix

The investment manager uses the same fundamental research process to monitor portfolio holdings. This ongoing analysis allows the investment manager to update assumptions regarding existing portfolio holdings and justify their continued inclusion.

This information represents how the investment manager generally implements its decision making process under normal market conditions.

[1].ROOCE (Return Operating Capital Employed) = EBITA (Earnings Before Interest, Taxes and Amortization)/PPE (Property, Plant, Equipment) + Trade Working Capital (excludes goodwill). Ex-Financials.
[2]. Free cash flow (FCF) = EBITDA + Other cash income - Change in working capital – Cash Restructuring Payments - Pension Deficit Contributions - Interest Paid - Tax Paid - Capex.
Note: Share Based Compensation is NOT added to the FCF
[3]. EV = Enterprise Value (Market value of equity + net debt + minorities + net pension liabilities – financial investments), NOPAT = Net operating profit after tax
FCF Yield = FCF / Market Capitalization

Engagement policies

Bond Allocation
The investment manager does not engage with bond issuers.

Equity Allocation
The investment process is focused on understanding the long-term sustainability of a company's returns on operating capital and engagement plays a role in this. It is an input in helping the investment manager understand whether management can and/or will maintain returns while growing the business over the long term. This includes direct engagement with companies on potentially financially material ESG risks and opportunities.

The investment manager has engaged directly with companies on issues material to the sustainability of returns on operating capital for over 25 years. The investment manager believes active managers running concentrated portfolios are well positioned to develop long-term relationships with companies – which is helpful given dialogue with companies on engagement topics can be prolonged and require multiple engagements. As long-term shareholders with an owner's mindset, the investment manager's active engagement is aligned to our long-term investment approach.

The investment manager attempts to encourage good corporate governance through diligent attention to proxy voting responsibilities, raising issues of concern directly with companies as well as voting against items the investment manager does not believe are in the long-term interests of shareholders.

The investment manager's ESG engagements generally have three key purposes: assessment of the potential financial materiality of specific ESG issues relevant to companies and their strategies to address these issues, monitoring of progress, and encouraging companies towards better practices. In the case of the latter, the investment manager may go into the engagement with specific objectives and track the company's response – for example, where the investment manager looks for improved disclosure, behaviour change, and target-setting.

Engagement generates knowledge that is one factor that could affect the investment view, valuation, weighting or buy/sell discipline.

Please also refer to the investment manager's engagement policy
engagementpolicy_msinvf_msfundsuk_globalsustain_en.pdf (morganstanley.com)

Designated reference benchmark

The fund has not designated a reference benchmark for the purpose of attaining its environmental or social characteristics.

Website Disclosure Summaries (Multiple Languages)

Contents:

Informativa per i prodotti Articolo 8 SFDR del sito web

Sintesi

Nessun obiettivo d'investimento sostenibile

Questo prodotto finanziario promuove caratteristiche ambientali o sociali, ma non persegue l'obiettivo di un investimento sostenibile.

Allocazione azionaria
Il Comparto si impegna a investire una parte del proprio patrimonio in società classificate come investimenti sostenibili sulla base di una valutazione che comprende tre criteri (ai sensi del regolamento SFDR):

1. Buona governance: questo criterio si propone di garantire che tutte le società incluse nel Portfolio dal gestore degli investimenti aderiscano a buone prassi di governance.
2. "Nessun danno significativo" (DNSH): questo criterio si propone di garantire che le società classificate come investimenti sostenibili non causino danni significativi in relazione ad alcuno degli indicatori obbligatori di effetti negativi principali (PAI) definiti dal regolamento SFDR, ivi comprese le norme internazionali di cui all'SFDR.
3. Contributo positivo: questo criterio si propone di garantire che le società classificate come investimenti sostenibili vengano classificate in base al loro allineamento netto positivo con gli Obiettivi di sviluppo sostenibile ("SDGs") delle Nazioni Unite.

Caratteristiche ambientali o sociali del prodotto finanziario

Allocazione obbligazionaria
Il Comparto promuove la caratteristica sociale di limitare i fattori sociali esterni negativi evitando investimenti in emittenti sovrani che violino sostanzialmente i diritti sociali o siano soggetti a determinate sanzioni internazionali.

Allocazione azionaria
Il Comparto promuove la caratteristica ambientale della lotta ai cambiamenti climatici escludendo gli investimenti in: (i) società coinvolte in determinate attività collegate ai combustibili fossili; e (ii) società operative in determinati settori energivori.

Inoltre, il Comparto considera le caratteristiche sociali applicando esclusioni vincolanti per: (i) società la cui attività principale comprenda armamenti o armi da fuoco ad uso civile, e (i) che hanno legami con le armi controverse.

Inoltre, il Comparto si impegna a investire una parte del proprio patrimonio in società classificate come investimenti sostenibili sulla base di una valutazione che comprende tre criteri (ai sensi del regolamento SFDR), come descritto in precedenza.

Strategia d'investimento

Allocazione obbligazionaria
Il gestore degli investimenti cerca di investire perseguendo una strategia discrezionale flessibile nell'ambito della quale vengono selezionate le obbligazioni che sembrano offrire il miglior rapporto rendimento/rischio, tenendo conto dell'obiettivo complessivo di allocazione delle attività del Comparto.

Il Comparto soddisfa le proprie caratteristiche ambientali e sociali attraverso l'esclusione di emittenti sovrani che (a) si collocano nel 10% inferiore dei paesi per violazioni sociali, sulla base dell'indicatore personalizzato del Gestore degli Investimenti; oppure (b) sono soggetti a sanzioni da parte delle Nazioni Unite o dell'Unione europea.

Allocazione azionaria
Il gestore degli investimenti si propone di investire in un portfolio concentrato di società di alta qualità con rendimenti elevati e sostenibili sul capitale operativo e il cui successo, a giudizio del gestore, dipende da attività immateriali (a puro titolo esemplificativo, marchi, diritti d'autore o metodi di distribuzione) che sostengono marchi commerciali forti.

Quale parte integrante del processo d'investimento, il gestore degli investimenti conduce una valutazione dei fattori potenzialmente rilevanti riguardanti la generazione di una redditività del capitale operativo sostenibile ed elevata nel lungo termine, tra cui i fattori ESG, e nell'ambito di questo processo mira a intrattenere attività di engagement con le società.

Il Comparto punta a soddisfare le caratteristiche ambientali e sociali applicando esclusioni vincolanti alle società: (i) coinvolte in determinate attività collegate ai combustibili fossili, (ii) operative in determinati settori energivori, (iii) la cui attività principale comprenda armamenti o armi da fuoco ad uso civile e (iv) che hanno legami con le armi controverse.

Il processo d'investimento privilegia l'individuazione di società di alta qualità in grado di sostenere rendimenti elevati sul capitale operativo nel lungo periodo. La buona governance delle imprese beneficiarie degli investimenti fa parte integrante di questa valutazione. I criteri di governance sono integrati nel processo d'investimento e valutati nell'ambito della ricerca iniziale, della selezione del portfolio. Il monitoraggio continuativo viene realizzato attraverso l'engagement con le società e, ove applicabile, l'uso di dati provenienti dalla società, dati di terzi e screening delle controversie legate alla governance.

Quota degli investimenti

Le percentuali sono misurate in base al valore degli investimenti.

L'allineamento della totalità degli investimenti alle caratteristiche ambientali e sociali offre un'esposizione diretta alle entità partecipate.

Allineati a caratteristiche E/S	***90%***
Investimenti sostenibili	*1%*
Allineati alla tassonomia	*—%*
Altri aspetti ambientali	*—%*
Sociali	*—%*
Altre caratteristiche E/S	*89%*
Altri investimenti	***10%***

Le percentuali sono misurate in base al valore degli investimenti.

L'allineamento della totalità degli investimenti alle caratteristiche ambientali e sociali offre un'esposizione diretta alle entità partecipate.

Monitoraggio delle caratteristiche ambientali o sociali

Il Comparto è gestito attivamente dal gestore degli investimenti su base continuativa, in conformità alla relativa strategia di investimento. Il processo di investimento è soggetto a revisione periodica, nell'ambito di un quadro di controllo e monitoraggio implementato dal gestore degli investimenti e dalla società di gestione. I team responsabili della conformità, del rischio e del monitoraggio del portfolio del gestore degli investimenti collaborano con il team di gestione del portfolio relativamente al presente Comparto per condurre revisioni periodiche del portfolio/della performance e controlli sistemici per garantire la conformità agli obiettivi di investimento del portfolio, alle linee guida sugli investimenti e del cliente, tenendo in considerazione le mutevoli condizioni di mercato, le informazioni e gli sviluppi strategici.

Le caratteristiche ambientali e sociali che il Comparto intende promuovere sono integrate nelle linee guida sugli investimenti e sono soggette a monitoraggio continuo da parte del gestore degli investimenti. Il team Portfolio Surveillance di Morgan Stanley Investment Management codifica anche le linee guida sugli investimenti nel sistema di sorveglianza dell'azienda.

Metodologie

La conformità ai criteri di esclusione è valutata in base ai criteri stessi e alla percentuale degli investimenti del Comparto che li violano, sia per la componente obbligazionaria che per quella azionaria.

Per l'allocazione azionaria, il rispetto dell'impegno di investimento sostenibile viene misurato in base alla percentuale degli investimenti del Comparto classificati come investimenti sostenibili e al conseguimento dell'impegno minimo del Comparto.

Fonti e trattamento dei dati

Il gestore degli investimenti utilizza dati ESG provenienti da diversi fornitori esterni. I dati vengono raccolti e archiviati nel repository centralizzato di dati ESG di Morgan Stanley per consentire a qualsiasi unità aziendale di Morgan Stanley, inclusi i team di investimento di Morgan Stanley Investment Management (MSIM), di accedere alle informazioni per la ricerca, l'analisi e la costruzione del portfolio, nonché per le informative destinate ai clienti e alle autorità di regolamentazione.

A causa di lacune nella copertura dei dati, una piccola parte dei dati utilizzati per valutare l'allineamento con le caratteristiche ambientali e sociali viene stimata da fornitori terzi di dati.

Limiti delle metodologie e dei dati

Il Comparto può utilizzare dati surrogati ragionevoli per gli indicatori PAI laddove il gestore ritenga che i dati non siano generalmente disponibili o non siano attendibili. Per maggiori dettagli sui limiti dei dati, si rimanda all'informativa completa riportata sul sito web.

Il gestore degli investimenti adotta misure ragionevoli per garantire che il Comparto risponda alle proprie caratteristiche ambientali o sociali nonostante tali limitazioni, conducendo, tra le altre cose, una revisione e una valutazione dei dati surrogati per assicurarsi che siano sostituti attendibili per i temi ESG promossi dall'indicatore PAI applicabile.

Dovuta diligenza

Allocazione obbligazionaria
Il gestore degli investimenti investirà in titoli di Stato emessi da paesi europei che rispettano il Government Social Violation indicator proprietario del gestore degli investimenti, come i BTP italiani. Il portfolio obbligazionario è progettato per limitare il rischio di tasso di interesse per gli investitori buy and hold, massimizzare i rendimenti corretti per il rischio e rispettare le regole di diversificazione degli OICVM.
Allocazione azionaria
Il gestore degli investimenti utilizza l'analisi fondamentale di tipo bottom-up per investire in società di alta qualità a valutazioni ragionevoli in grado di mantenere rendimenti elevati e sostenibili sul capitale operativo nel lungo

termine. Dopo uno screening quantitativo iniziale di una serie di caratteristiche finanziarie che a parere del gestore degli investimenti caratterizzano i marchi aziendali solidi, il gestore degli investimenti verifica se la società è in grado di continuare a generare una redditività del capitale operativo elevata e sostenibile effettuando una valutazione della qualità del marchio, delle capacità del management e della solidità finanziaria, unitamente a una valutazione dei fattori ESG potenzialmente rilevanti sotto il profilo finanziario, come sopra descritto.

Politiche di impegno

Allocazione obbligazionaria
Il gestore degli investimenti non interagisce con gli emittenti obbligazionari.
Allocazione azionaria
Il processo d'investimento verte sulla verifica della sostenibilità a lungo termine dei rendimenti sul capitale operativo di una società e le attività di engagement svolgono un ruolo preciso in questo senso. Forniscono infatti informazioni utili al gestore degli investimenti per capire se il management è in grado di e/o intende mantenere i rendimenti, favorendo al contempo la crescita dell'azienda nel lungo termine. Ciò comporta attività di engagement dirette con le aziende sui rischi e sulle opportunità ESG potenzialmente rilevanti sul piano finanziario.

L'engagement genera conoscenza, vale a dire quel fattore che può influire sul giudizio d'investimento, sulla valutazione, sulla ponderazione o sulle regole di acquisto/vendita.

Indice di riferimento designato

Il Comparto non ha designato un benchmark di riferimento per conseguire le proprie caratteristiche ambientali o sociali.

Applications for shares in the fund should not be made without first consulting the current Prospectus and the Key Investor Information Document ("KIID"), which are available in English and in the official language of your local jurisdiction at morganstanleyinvestmentfunds.com or free of charge from the Registered Office of Morgan Stanley Investment Funds, European Bank and Business Centre, 6B route de Trèves, L-2633 Senningerberg, R.C.S. Luxemburg B 29 192. A summary of investor rights is available in English at the same website.

Information in relation to sustainability aspects of the fund and the summary of investor rights is available at the aforementioned website.

If the management company of the relevant fund decides to terminate its arrangement for marketing that fund in any EEA country where it is registered for sale, it will do so in accordance with the relevant UCITS rules.

DEFINITIONS
"ESG" investment: Environmental Social and Governance based investment is an investment approach which takes explicit account of the environmental, social and corporate governance aspects of all proposed investments.

ESG RISKS
ESG strategies that incorporate impact investing and/or environmental, social and governance (ESG) factors could result in relative investment performance deviating from other strategies or broad market benchmarks, depending on whether such sectors or investments are in or out of favor in the market. As a result, there is no assurance ESG strategies could result in more favorable investment performance.

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Applications for shares in the fund should not be made without first consulting the current Prospectus, Key Investor Information Document ("KIID"), Annual Report and Semi-Annual Report ("Offering Documents"), or other documents available in your local jurisdiction which is available free of charge from the Registered Office: European Bank and Business Centre, 6B route de Trèves, L-2633 Senningerberg, R.C.S. Luxemburg B 29 192.

In addition, all Italian investors should refer to the 'Extended Application Form', and all Hong Kong investors should refer to the 'Additional Information for Hong Kong Investors' section, outlined within the Prospectus. Copies of the Prospectus, KIID, the Articles of Incorporation and the annual and semiannual reports, in German, and further information can be obtained free of charge from the representative in Switzerland. The representative in Switzerland is Carnegie Fund Services S.A., 11, rue du Général-Dufour, 1204 Geneva. The paying agent in Switzerland is Banque Cantonale de Genève, 17, quai de l'Ile, 1204 Geneva.

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Morgan Stanley

INVESTMENT MANAGEMENT

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