Morgan Stanley | INVESTMENT MANAGEMENT

Marketing Communication

SFDR Article 8 Website Disclosure

MS INVF Global Brands Fund

DECEMBER 2022

Contents:

SFDR Article 8 Website Disclosure
Product name: *Global Brands Fund (the "**Fund**")*
A fund of Morgan Stanley Investment Funds
Legal entity identifier: *ZGXTXPGVP03JQIVJJ255*

No Sustainable investment objective

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

When classifying investments as sustainable or not (as defined under the SFDR rules), the Investment Adviser applies four tests as required by the SFDR rules:

- **good governance**: this test seeks to ensure that investee companies classified as sustainable investments follow good governance practices;
- **minimum social safeguards:** this test seeks to ensure that companies classified as sustainable investments are aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights;
- **do no significant harm ("DNSH"):** this test seeks to ensure that investments that cause significant harm to any of the mandatory, SFDR-defined principal adverse impact ("**PAI**") indicators which are relevant to the investment are not classified as sustainable; and
- **positive contribution to environmental or social objective** this test seeks to ensure that the sustainable investments of the Fund shall be classified based on their net positive alignment with the UN Sustainable Development Goals ("**SDGs**") (which shall be determined using alignment scores obtained from third-party data providers).

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 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.

Furthermore, 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 four tests, which includes evaluating investee companies' positive alignment with the UN SDGs.

Investment Strategy

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 below), 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.

Investment strategy used to meet the environmental and social characteristics of the Fund

1. 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. The Fund also applies 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.

- 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 and on 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 and on www.morganstanley.com/im.

A description of the methodologies by which compliance with these exclusionary screens are measured can be found in the "*Methodologies for environmental and social characteristics*" section below.

3. Sustainable investments

As noted above, the Fund also commits to invest a proportion of its assets in sustainable investments. The Fund classifies a security as a sustainable investment using a framework based on four tests:

i. **good governance:** all investee companies, including those classified as sustainable investments, have to be considered by the Investment Adviser to follow good governance practices to be included in the Fund's portfolio. This test is described immediately below under "*Governance practices of investee companies*";

ii. **minimum social safeguards:** this test seeks to ensure that companies classified as sustainable investments are aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights;
iii. **DNSH:** the Investment Adviser applies a DNSH methodology, which seeks to ensure that investments that cause significant harm to any of the mandatory, SFDR-defined PAI indicators which are relevant to the investment are not classified as sustainable; and
iv. **positive contribution to environmental or social objective:** the sustainable investments made by the Fund shall be classified based on their net positive alignment with the UN SDGs (which shall be determined using alignment scores obtained from third party data providers).

More details regarding steps (ii) to (iv) can be found in the "*Methodologies for environmental and social characteristics*" section below.

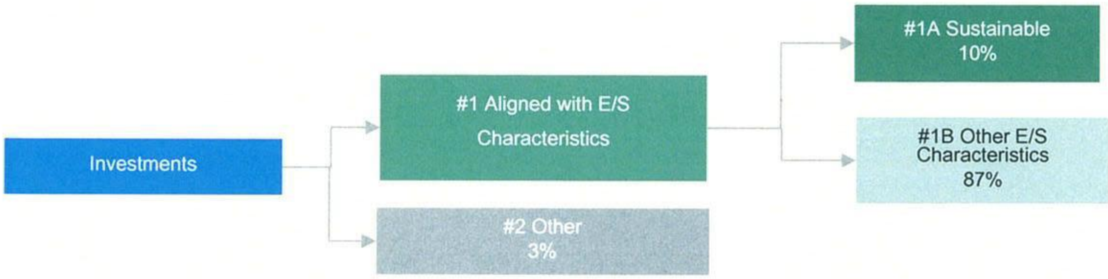
Governance practices of investee companies

The investment process is focused 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 team 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 team 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 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 97% of the portfolio and the Fund also expects a minimum of 10% of its assets to meet the sustainable investment criteria. 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 expected to comprise 3% of the Fund's assets. No minimum environmental or social safeguards are applied to such investments.

The 97% of the portfolio which is aligned with environmental or social characteristics entirely comprises investments which offer direct exposure to investee entities.

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

Taxonomy disclosures

The Fund 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.

The EU Taxonomy does not comprehensively cover all industries and sectors, or even all environmental objectives. This financial product invests in sustainable investments within sectors which may or 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.

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.

1. Taxonomy-alignment of investments **including sovereign bonds***

2. Taxonomy-alignment of investments **excluding sovereign bonds***

Monitoring of environmental or social characteristics

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 Investment Adviser of any possible guideline violations.

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 Adviser 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.

Investments that are held by the Fund but become restricted because they breach the exclusionary criteria as set out in points one and two 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 Adviser, taking into account the best interests of the Shareholders of the Fund.

If the Investment Adviser considers that the portfolio no longer meets the Fund's commitment to 10% sustainable investments, the Investment Adviser 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 Adviser, considering the relevant circumstances and best interests of the shareholders of the Fund.

Methodologies for environmental and social characteristics

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 Investments Commitment

As described in the "*Investment strategy*" section above, the Fund has a sustainable investment framework based on four tests. All stocks that are classified as sustainable investments need to meet all four tests. Further details for these four tests are set out below.

Compliance with the sustainable investment commitment is measured by the percentage of the Fund's investments which pass all of the below four tests. As stated in the section above, "*Proportion of investments*", 10% of the Fund's investments are expected to pass the below four tests and qualify as sustainable investments.

(i) Governance of investee companies

The first test relating to the governance practices of investee companies is described in the section above, "*Investment Strategy*".

(ii) Minimum social safeguards

The second test seeks to ensure companies show alignment with OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights.

The Fund will not treat as sustainable investments:

- issuers that fail to comply with the themes and values promoted by the UN Global Compact or the OECD Guidelines for Multinational Enterprises (which incorporate the ILO Fundamental Principles); and
- issuers which lack processes and compliance mechanisms to monitor compliance with the themes and values promoted by the UN Global Compact principles and OECD Guidelines for Multinational Enterprises (which incorporate UN Guiding Principles and ILO conventions).

In each case, this assessment is based on information obtained from third-party data providers and/or internal assessments.

(iii) DNSH assessment

As noted in previous sections, when classifying investments as sustainable or not (as defined under the SFDR rules), the Investment Adviser applies a DNSH methodology. This seeks to ensure that investments that cause significant harm to any of the mandatory, SFDR-defined PAI indicators which are relevant to the investment are not classified as sustainable.

The Fund gains data to assess the PAI indicators 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.

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, the Investment Adviser may treat a company which does not report its share of non-renewable energy consumption as not failing the initial PAI test, if the Investment Adviser is satisfied through its qualitative assessment that the company in question has a low energy consumption intensity overall. Similarly, 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.

(iv) <u>Positive contribution to environmental or social objective</u>

When classifying investments as sustainable or not (as defined under the SFDR rules), the Investment Adviser will also classify companies on their net positive alignment with the UN SDGs (which shall 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. In order to be classified as sustainable investments, the data providers' alignment scores indicate whether the Fund's investments 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 recognise 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), (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 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.

Data sources and processing

MSIM uses ESG data from various leading 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. A data quality process is also in place to allow for enhancements as data quality/reporting improves.

Morgan Stanley also leverages third-party data in order to produce proprietary insights.

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.

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 vendor. The Investment Adviser may do this when, for example, it considers the third-party SDG alignment data as one of many inputs input to its definition for sustainable investments and finds that data to be out of date or incorrect based on the Investment Adviser's own engagement efforts or research.

Some examples of SFDR dataset definitions are listed below:

Data Set	Definition
Screening/Controversies	Business practices and products/services
SDG/Sustainable Revenues	Revenue alignment or misalignment with the UN SDGs

Diversity & Inclusion	Board level diversity metrics and corporate policies
Environmental Metrics	Water use, waste generation and local pollution
Carbon Metrics	Emissions, fossil fuel, and power generation
Gender Equality	Gender-related metrics and policies

A small proportion of the data which is used to assess alignment with E/S characteristics is estimated. The Investment Adviser estimates this data due to a lack of availability of reliable data. The Investment Adviser will keep this lack of data under review and replace the estimated data with third-party data sources or data obtained by other means (e.g., directly from investee companies) when available.

Limitations to methodologies and data

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. Additionally, the Fund gains data to assess the PAI indicators from third-party providers. The Fund may use reasonable proxy data for those PAI indicators for which the Investment Adviser considers that the data is not widely or reliably available. Currently the Investment Adviser 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 Adviser 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 Adviser to ensure they are appropriate substitutes.

The Investment Adviser may also supplement, as appropriate, the outcome of its initial tests with qualitative assessments, including for the purposes of the sustainable investment assessment, on significant harm (having regard to other data sources and/or its engagements with the investment) on one or more PAIs. For example, the Investment Adviser may treat a company which does not report its share of non-renewable energy consumption as not failing the initial PAI test, if the Investment Adviser is satisfied through its qualitative assessment that the company in question has a low energy consumption intensity overall. Similarly, 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.

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 Adviser 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. The binding exclusions are applied using appropriate third-party data including industry classification (GICS) and business revenue (MSCI ESG BISR) databases.

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.

Due diligence

The Investment Adviser 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 Adviser believes characterise strong business franchises, the Investment Adviser 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 ESG factors.

Quality Screening of the Investment Universe, Post Exclusions

1 IDENTIFY HIGH RETURN COMPANIES

- ✓ High unlevered returns on operating capital employed (ROOCE)(1)
- ✓ High gross margins (pricing power)
- ✓ Capital-light business models driving free cash flow (FCF)(2) generation
- ✓ Strong balance sheet
- ✓ Return of cash to shareholders

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

The Investment Adviser 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, strong balance sheets and the return of cash to shareholders.

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

Franchise Quality: The Investment Adviser 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 dominant and durable intangible assets may include strong brand recognition, advertising and promotion, licensing agreements, customer loyalty, patents and networks, copyrights and distribution networks.

The Investment Adviser then analyses if a company can continue to deliver sustainably high returns on operating capital with an evaluation of franchise quality, growth potential, management capability and financial strength, together with an assessment of relevant ESG factors. ESG considerations are a fundamental and integrated part of the investment and risk assessment process. The Investment Adviser explicitly focuses on material ESG risks and opportunities and their effect on the sustainability of future returns on operating capital. The Investment Adviser uses its proprietary ESG scoring framework, the Material Risk Indicator (MRI), as a tool to record portfolio managers' ESG company assessments in a consistent and comparable way over time. This explicitly documents the team's evaluation of the ESG factors/risks relevant to the sustainability of returns for its investments. The MRI supplements the existing qualitative and quantitative outputs of the research process. Investors should note, however, that this ESG scoring framework (unlike the binding characteristics described elsewhere in this document) are not binding on the Investment Adviser's selection of investments for the Fund.

3 CONFIRM MANAGEMENT'S COMMITMENT TO SUSTAINING RETURNS

- ✓ Focus on returns 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 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 sustainable, high returns on operating capital employed and growth potential, 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 Adviser wants to see management reinvest at high rates of return or distributed to shareholders.

We have engaged directly with companies on issues material to the sustainability of returns on operating capital for over 20 years. Direct engagement with companies and boards on material ESG risks and opportunities, and other issues, plays a role in informing us whether management can maintain their 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. As long-term shareholders with an owner's mindset, our active engagement is aligned to our long-term investment approach.

4 VALUATION

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

Valuation: The Investment Adviser then values the stock candidate, seeking to minimise the risk of overpaying.

In the Investment Adviser's opinion, the most accurate measure of value is on an absolute rather than relative basis.

The Investment Adviser's valuation analysis for non-financial companies is rooted in free cash flow analysis. The Investment Adviser 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 Adviser can also triangulate valuation with price earnings ratios and EV/NOPAT (to adjust for leverage, where useful). For more cyclical companies, the Investment Adviser can also look at EV/Sales, EV to invested capital and price to book.

The Investment Adviser does not adjust the cost of equity in response to government bond yields.

5 PORTFOLIO CONSTRUCTION

- ✓ Weights influenced by absolute level of risk, the team's level of conviction, liquidity, and 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 by investors. When a stock is admitted to the portfolio, the weighting is influenced by the absolute level of risk, the Investment Adviser's level of conviction, its liquidity, and any material ESG considerations.

Engagement policies

The Investment Adviser has engaged directly with companies on issues material to the sustainability of returns for over 20 years. The Investment Adviser believes active managers running concentrated portfolios are well positioned to develop long-term relationships with investee companies. Their investment process is focused on understanding the long-term viability of a company's returns on operating capital and engagement with management plays a vital role in this. It informs them whether management can maintain these returns while growing the business over the long term. This includes direct engagement with companies and boards on material ESG risks and opportunities.

Dialogue with companies on engagement topics can be prolonged and require multiple engagements. As long-term shareholders with an owner's mindset, the Investment Adviser's active engagement is aligned to its long-term investment approach. The Investment Adviser attempts to encourage good corporate governance through diligent attention to proxy voting responsibilities, raising issues of concern directly with company management, consistent with the objective of maximizing long-term investment returns, as well as voting against items they do not believe are in the long-term interests of shareholders.

The Investment Adviser's ESG engagements have three key purposes: assessment of 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 Adviser engages with specific objectives and track the company's response and progress, including but not limited to improved disclosure, behaviour change, and (where appropriate) target-setting. The Investment Adviser recognises that large global organisations may encounter ESG issues, but a lot can be learned from how they address them. Their awareness, policies and responses to these issues can give us insight into the quality of the management.

Potential ESG engagement topics are discussed and agreed at the Investment Adviser's quarterly internal engagement meetings. Should companies offer sub-optimal responses or improvements over time, the Investment Adviser discusses the relevant issue and escalation options at the investment meeting. Engagement generates knowledge that is one factor that could affect the investment view, valuation, weighting or buy/sell discipline. Any 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.

Please also refer to the Investment Adviser'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.

Morgan Stanley
INVESTMENT MANAGEMENT

Global Brands Fund

Website Disclosure Summaries (Multiple Languages)

SFDR Article 8 Website Disclosure

Product name: *Global Brands Fund (**"the Fund"**)*

A fund of Morgan Stanley Investment Funds

Legal entity identifier: *ZGXTXPGVP03JQIVJJ255*

Summary

No Sustainable investment objective

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

When classifying investments as sustainable or not (as defined under the SFDR rules), the Investment Adviser applies a do no significant harm (DNSH) methodology. This seeks to ensure that investments that cause significant harm to any of the mandatory, SFDR-defined principal adverse impact ("PAI") indicators which are relevant to the investment are not classified as sustainable. For sustainable investments, the Investment Adviser also applies a methodology to meet the minimum social safeguards set out in the SFDR rules.

Environmental or social characteristics of the 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.

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.

Furthermore, a proportion of the Fund's investments will be sustainable investments that make a positive contribution to the UN Sustainable Development Goals.

Investment Strategy

- The Fund seeks to invest in a concentrated portfolio of high quality companies based in developed countries, whose success is based on intangible assets (e.g. brand names, copyrights, methods of distribution).
- 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.
- The Fund meets its environmental and social characteristics by applying binding exclusions on companies: (i) with any tie to fossil fuels; (ii) in certain other 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 the company as well as using where appropriate company data, third party data and governance related controversy screens.

Proportion of Investments

Aligned with E/S characteristics	***97%***
Sustainable investments	*10%*
Taxonomy aligned	-
Other environmental	-
Social	-
Other E/S characteristics	*87%*
Other investments	***3%***

The Fund expects to allocate a minimum of 10% of its assets to sustainable investments.

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

97% of the portfolio is aligned with environmental or social characteristics. This entirely comprises investments which offer direct exposure to investee entities.

Monitoring of environmental or social characteristics

The environmental and social characteristics are monitored using a combination of data tools / screens, portfolio surveillance tools and manual desk reviews and analyses.

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 Adviser to conduct regular portfolio/performance reviews and systemic checks to ensure compliance with portfolio investment objectives and environmental and social characteristics.

Methodologies

The sustainable investments made by the Fund are assessed based on their net positive contribution to the UN Sustainable Development Goals and the Investment Adviser's DNSH methodology.

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.

Data sources and processing

The Investment Adviser 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 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 data.

Limitations to methodologies and data

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

The Investment Adviser 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

The Investment Adviser 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 Adviser believes characterise strong business franchises, the Investment Adviser 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 ESG factors.

As an essential and integrated part of the investment process, the Investment Adviser assesses relevant factors material to the long-term sustainability of high returns on operating capital including ESG factors and seeks to engage with company management as part of this.

Engagement policies

The team's ESG engagements have three key purposes: assessment of materiality of specific ESG issues relevant to companies and their strategies to address these issues, monitoring of progress and encouraging companies towards better practices. Any issue (e.g. unsatisfactory responses or improvements over time) will be considered by the Investment Adviser. Dialogue with companies can be prolonged and require multiple engagements over time. 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.

Informativa del sito web per i prodotti ai sensi dell'Articolo 8 del Regolamento SFDR

Nome del prodotto: *Global Brands Fund (il "**Comparto**")*

Un comparto di Morgan Stanley Investment Funds

Identificativo della persona giuridica:
ZGXTXPGVP03JQIVJJ255

Sintesi

Nessun obiettivo d'investimento sostenibile

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

Nella fase di classificazione degli investimenti in quanto sostenibili o meno (ai sensi delle norme SFDR), il Consulente d'investimento applica una metodologia "non arrecare un danno significativo" (DNSH, do no significant harm). Questo mira a garantire che gli investimenti che causano danni significativi a qualsivoglia indicatore obbligatorio dei principali effetti negativi ("PAI") ai sensi del Regolamento SFDR e applicabile all'investimento non vengano classificati come investimenti sostenibili. Per gli investimenti sostenibili, il Consulente d'investimento applica inoltre una metodologia per soddisfare le garanzie sociali minime previste dalle norme SFDR.

Caratteristiche ambientali o sociali del prodotto finanziario

Il Comparto promuove la caratteristica ambientale della lotta ai cambiamenti climatici escludendo gli investimenti in: (i) società che hanno legami con i combustibili fossili, e (ii) società in determinati altri settori a intensità energetica.

Inoltre, il Comparto valuta le caratteristiche sociali applicando esclusioni vincolanti alle: (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, una parte degli investimenti del Comparto sarà destinata a investimenti sostenibili che apportano un contributo positivo agli Obiettivi di sviluppo sostenibile (SDG) delle Nazioni Unite.

Strategia d'investimento

- Il Comparto si prefigge di investire in un portafoglio concentrato di società di alta qualità con sede nei paesi sviluppati, il cui successo è basato su attività intangibili (ad es. marchi, copyright, metodi di distribuzione).
- Quale parte essenziale e integrante del processo d'investimento, il Consulente d'investimento conduce una valutazione dei principali fattori 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 un engagement con i team di management delle società.
- Il Comparto soddisfa le caratteristiche ambientali e sociali applicando esclusioni vincolanti alle società: (i) che hanno legami con i combustibili fossili, (ii) in determinati altri settori a intensità energetica, (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 si concentra sull'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 portafoglio. Il monitoraggio continuativo viene realizzato attraverso l'engagement con la società e l'uso, ove applicabile, di dati provenienti dalla società, dati di terzi e screening delle controversie legate alla governance.

Quota degli investimenti

Allineati con caratteristiche A/S	***97%***
Investimenti sostenibili	*10%*
Allineati alla tassonomia	-
Altri aspetti ambientali	-
Sociali	-
Altre caratteristiche A/S	*87%*
Altri investimenti	***3%***

Il Comparto prevede di allocare almeno il 10% del proprio patrimonio negli investimenti sostenibili.

Queste percentuali sono misurate in base al valore degli investimenti.

Il 97% del portafoglio è allineato a caratteristiche ambientali o sociali. Si tratta esclusivamente di investimenti che offrono un'esposizione diretta alle entità partecipate.

Monitoraggio delle caratteristiche ambientali o sociali

Le caratteristiche ambientali e sociali vengono monitorate utilizzando una combinazione di screening/strumenti basati su dati strumenti di monitoraggio del portafoglio e analisi/revisioni della sala operativa.

Il processo d'investimento è soggetto a un esame periodico nell'ambito di una struttura di controllo e monitoraggio implementata dal Consulente d'investimento. I team responsabili della conformità, del rischio e del monitoraggio del portafoglio del Consulente d'investimento collaborano con il team d'investimento per condurre periodicamente esami del portafoglio/della performance e controlli sistemici per garantire l'aderenza agli obiettivi d'investimento del portafoglio e alle caratteristiche ambientali e sociali.

Metodologie

Gli investimenti sostenibili effettuati dal Comparto vengono valutati in base al loro contributo positivo netto agli Obiettivi di sviluppo sostenibile (SDG) delle Nazioni Unite e alla metodologia DNSH del Consulente d'investimento.

La conformità con i filtri di esclusione viene misurata in base ai criteri di esclusione e alla percentuale di investimenti del Comparto che viola i filtri di esclusione.

Fonti e trattamento dei dati

Il Consulente d'investimento si avvale di dati ESG provenienti da diversi fornitori esterni. I dati vengono raccolti e conservati nell'archivio dei dati ESG centralizzato di Morgan Stanley per consentire a qualunque divisione di quest'ultima, ivi compresi i team d'investimento MSIM, di accedere alle informazioni per effettuare ricerche e analisi e occuparsi della costruzione del portafoglio, nonché per fornire a clienti e autorità di regolamentazione le informative richieste.

Per via di alcune lacune nella copertura dei dati, una piccola parte dei dati utilizzati per valutare l'allineamento a caratteristiche ambientali/sociali è costituita da dati stimati.

Limiti delle metodologie e dei dati

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

Il Consulente d'investimento 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

Il Consulente d'investimento 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 Consulente d'investimento caratterizzano i marchi aziendali solidi, il Consulente d'investimento 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 applicabili.

Quale parte essenziale e integrante del processo d'investimento, il Consulente d'investimento conduce una valutazione dei principali fattori riguardanti la generazione di una redditività del capitale operativo sostenuta ed elevata nel lungo termine, tra cui i fattori ESG, e nell'ambito di questo mira a un engagement con il management delle società.

Politiche di impegno

Le attività di engagement ESG del team si pongono tre obiettivi: la valutazione della rilevanza delle specifiche questioni ESG riguardanti le diverse società e le strategie adottate da queste ultime per affrontare tali questioni, il monitoraggio dei progressi compiuti e le azioni volte a incoraggiare le aziende ad adottare pratiche migliori. Il Consulente d'investimento prenderà in considerazione eventuali problemi (ad es. risposte insoddisfacenti o miglioramenti nel tempo). Il dialogo con le società può protrarsi e richiedere più iniziative di engagement nel corso del tempo. 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

Per realizzare le proprie caratteristiche ambientali o sociali, il Comparto non ha designato alcun indice di riferimento.

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 isregistered 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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