

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. IF IN DOUBT, PLEASE SEEK PROFESSIONAL ADVICE

MORGAN STANLEY INVESTMENT FUNDS
Société d'Investissement à Capital Variable
Registered office: 6B, route de Trèves, L-2633 Senningerberg
R.C.S. Luxembourg: B 29 192
(the "Company")

**NOTICE TO SHAREHOLDERS
OF
GLOBAL BALANCED INCOME FUND**

Luxembourg, 27 November 2023

Dear shareholder,

We are writing to you as a holder of shares in Morgan Stanley Investment Funds Global Balanced Income Fund (the "Fund").

The board of directors of the Company (the "Board") has decided to amend the investment policy of the Fund. Such amendments mean that the Fund will now promote environmental and/or social characteristics and invest in companies who follow good governance, resulting in it being reclassified as an SFDR Article 8 Product (as defined below). The amendments to the investment policy include that the Investment Adviser, in targeting its investment objective for the Fund, shall adopt the integration of environmental, social and governance ("ESG") factors, may engage with company management around corporate governance and practices and will apply exclusions in respect of certain companies. It is not anticipated there will be a material turnover to the portfolio holdings of the Fund as a result of these changes.

On 27 November 2019, Regulation (EU) 2019/2088 of the European Parliament and of the Council on sustainability-related disclosures in the financial services sector was published (the "SFDR"). The SFDR aims to increase the harmonization of, and transparency towards the end investors with regard to, the integration of sustainability risks, the consideration of adverse sustainability impacts, the promotion of environmental or social characteristics and sustainable investment by requiring pre-contractual and ongoing disclosures to end investors.

The SFDR provides high-level definitions and distinguishes between several categorisations of products including "article 8 products" which are financial products that promote, among other characteristics, environmental or social characteristics, or a combination of those characteristics, provided that the companies in which the investments are made follow good governance practices ("SFDR Article 8 Products").

The Board has resolved to amend the investment policy of the Fund and to classify it as an SFDR Article 8 Product.

The amended investment policy shall read as detailed in **Appendix 1** (new wording is in bold and the wording to be removed is struck through). Furthermore, the full ESG strategy of the Fund will be described in an annex dedicated to the Fund, in Appendix L of the Prospectus dated November 2023.

The above-mentioned change will be effective as from 27 December 2023 and is included in the version of the Prospectus dated November 2023. The full list of share classes impacted by this change is available in **Appendix 2**.

Your options

1. If you agree to the change mentioned above, you do not need to take any action. The change will automatically come into effect for the Fund as from 27 December 2023.

UCITS DO NOT HAVE A GUARANTEED RETURN AND PAST PERFORMANCE DOES NOT
GUARANTEE FUTURE RETURNS



2. If you disagree with the change noted above, you may either:

a) Convert your Shares into another fund of the Company. Any applications for conversion must be received by 1 pm CET on 22 December 2023 and be made in accordance with Section 2.4 "*Conversion of Shares*" of the Prospectus. Please ensure that you read the UCITS KIID or PRIIPs KID for any other fund of the Company that you are considering converting into and seek advice from your financial adviser if you are unsure about the action you should take.

or,

b) Redeem your investment. Any applications for redemption must be received by 1 pm CET on 22 December 2023.

Conversions or redemptions will be processed free of charge, with the exception of any applicable Contingent Deferred Sales Charges, at the relevant net asset value per share on the Dealing Day on which the relevant shares are redeemed or converted, in accordance with the terms of the Prospectus.

* *
*

A copy of this new Prospectus is available upon request at the registered office of the Company.

Capitalised terms used in this notice shall have the meaning ascribed to them in the current Prospectus, unless the context otherwise requires.

The Board accepts responsibility for the accuracy of the information contained in this notice. The Prospectus and the relevant UCITS KIID or PRIIPs KID are available to investors, free of charge, at the registered office of the Company or at the offices of foreign representatives.

Should you have any questions or concerns about the foregoing, please contact the Company at its registered office in Luxembourg, the Investment Adviser of the Company or the representative of the Company in your jurisdiction. You should inform yourself of, and where appropriate take advice on, the tax consequences of the foregoing in your country of citizenship, residence or domicile.

Yours sincerely

The Board

Appendix 1

Amendments to the Fund's investment policy:

"The Global Balanced Income Fund's investment objective is to provide regular income and capital appreciation, measured in Euro, through investing primarily in a portfolio of transferable securities and money market instruments globally and through the use of financial derivative instruments. The Fund is managed within a clearly-defined, risk-controlled framework, actively managing the total portfolio risk, by managing the portfolio volatility level in line with a pre-defined target volatility. The Investment Adviser dynamically adjust the portfolio positioning in a balanced mix of equity, fixed income, Cash Equivalents, and commodity-linked securities, aiming to maintain a stable risk profile using an ex-ante approach.

In targeting its investment objective, the Investment Adviser also integrates a range material ESG factors. These factors may include, but are not limited to, climate change, carbon emissions, water scarcity, waste management, biodiversity, labour management, gender diversity, health & safety, product safety, data privacy & security, executive remuneration, board independence, shareholder rights, and bribery and corruption.

The Investment Adviser may engage company management around corporate governance practices as well as what it deems to be materially important environmental and/or social issues facing a company in order to ensure that the target companies follow good governance practices.

The Investment Adviser shall not knowingly include the following companies in the investment universe, companies:

- *associated with severe ESG controversies;*
- *involved with controversial weapons (including civilian firearms);*
- *involved in gambling;*
- *associated with tobacco;*
- *associated with adult entertainment*
- *that derive revenue from Arctic oil and gas or from oil sands; and*
- *that derive revenue from thermal coal or from thermal coal generation.*

The details of the above exclusions can be found in the Fund's exclusion policy which is available on the Company's website (www.morganstanleyinvestmentfunds.com and on www.morganstanley.com/im). The exclusions (which comprise, but are not limited to, the above exclusions) are determined by the Investment Adviser's own proprietary analysis rather than the reliance on third party analysis. However, the analysis may be supported by third party ESG controversies analysis and business involvement research. The exclusions criteria is applied to all direct investments within the Fund. The exclusion criteria will not be applied to investments in which the Investment Adviser does not have direct control of the underlying holdings, for example collective investment schemes or open-ended ETFs. The exclusion criteria is subject to periodic review and any changes will be reflected in the exclusion policy document.

Investments that are held by the Fund but become restricted after they are acquired for the Fund will be sold. Such sales will take place over a time period to be determined by the Investment Adviser, taking into account the best interests of the Shareholders of the Fund.

The Investment Adviser integrates ESG data including ratings and scores from third parties when constructing security baskets to implement asset class views, subject to a tracking error and other constraints. The Investment Adviser uses third-party data and ESG scores and in some cases data on specific issuers, ESG themes or the exclusions noted above may not be available and/or may be



estimated by the Investment Adviser using internal methodologies or reasonable estimates. The methodologies used by different data providers may also vary and may result in different scores.

The Investment Adviser tilts the portfolio of the Fund towards high ESG performing stocks, and aims to improve the aggregated fund ESG performance versus that of the underlying equity index. In addition to ESG factors, the Investment Adviser treats climate change as a separate consideration, and also applies an additional climate change score during the tilting process.

The Investment Adviser creates – for all 11 GICS sectors within each regional equity market – individual baskets that tilt towards the top quartile ESG and low-carbon transition leaders.

The Fund will implement top-down, tactical views on global asset classes across (1) equity including closed-end Real Estate Investment Trusts (REITs); (2) Fixed Income Securities; and (3) Cash Equivalents. The Investment Adviser's tactical view will be implemented by accessing the following investment universe:

- **Primary investments:** equity securities, including closed-end Real Estate Investment Trusts (REITs); Fixed Income Securities (including investment grade, non-investment grade and unrated); and Cash Equivalents. This investment may be direct, or via derivatives. The Fund may invest in financial derivative instruments to achieve its investment objective and derivatives may be used for both investment and hedging purposes. These derivative instruments may include but are not limited to futures, options, warrants, contracts for difference, forward contracts on financial instruments and options on such contracts, credit linked instruments and swap contracts, whether traded on or off exchange.
- **Ancillary investments:** other transferable securities or, to a limited extent, to UCIs including the Company's Funds and ETFs as well as China A-Shares via Stock Connect. The Fund may invest up to 10% of its net assets in China A-Shares via Stock Connect.

Investment in equity securities will not be less than 10% of the Fund's net asset value, nor more than 90% of the Fund's net asset value.

Investment in non-investment grade bonds will not exceed 30% of the Fund's net asset value.

The Investment Adviser anticipates it will predominantly employ the following investment strategies:

- **Global asset allocation:** investing in securities in line with individual asset class indices. The Investment Adviser will select the indices which will be used to make tactical views globally across (1) equity securities including Real Estate Investment Trusts (REITs); (2) Fixed Income Securities; and (3) Cash Equivalents. The Investment Adviser may use on or off exchange traded derivatives such as futures or swaps to gain diversified and/or more efficient exposure to specific global markets where due to the intended allocation size or due to inefficiencies in transacting directly in the underlying securities, investing via derivatives is a preferable investment option in the Investment Adviser's opinion.
- **Income generation:** in addition to purchasing income generating transferable securities, additional income will be sought through the receipt of premiums as a result of writing on or off exchange traded options, which may be written on indices; single securities; or currencies.

The Investment Adviser may use additional investment strategies such as:

- **Commodity-linked investments:** the Fund may (in accordance with the investment powers and restrictions set out in Appendix A) implement tactical views on commodities via exchange traded commodities (ETCs) and/or commodity linked notes.

- Use of derivatives for efficient portfolio management: the Fund may also invest in cash warrants, exchange traded and over-the-counter options, and other derivatives for efficient portfolio management (including hedging) purposes as well as for the investment purposes as outlined above.
- Use of open and closed ended UCIs, including the Company's Funds and ETFs; the Investment Adviser would primarily use UCIs and ETFs to gain diversified and/or more efficient exposure to specific global markets where due to the intended allocation size or due to inefficiencies in transacting directly in the underlying securities an UCI or ETF is a preferable investment option in the Investment Adviser's opinion.

The Fund's investments may result in exposure to emerging markets and to higher yielding securities.

The Fund is actively managed and the composition of the portfolio holdings is not constrained by any benchmarks.

Taxonomy Regulation disclosure

The Fund does not take account of the Taxonomy Regulation.

Further information about the Fund's environmental and social characteristics can be found in Appendix L.

~~investments underlying the Fund do not take into account the EU criteria for environmentally sustainable economic activities.~~

Profile of the typical investor

In light of the Global Balanced Income Fund's investment objective it may be appropriate for investors who:

- seek capital appreciation over the medium term;
- seek income whether in the form of capital appreciation or distributions, as outlined in "Dividend Policy";
- accept the risks associated with this type of investment, as set out in Section 1.5 "Risk Factors".



Appendix 2

The ISIN numbers listed in the table below are correct as at the date of this notice. We recommend that you visit the Company's website (www.morganstanleyinvestmentfunds.com) for most up-to-date information.

| Share classes | ISIN numbers | |
|--|--------------|--------------|
| Morgan Stanley Investment Funds Global Balanced Income Fund | A | LU1078119317 |
| | AHR (USD) | LU1135041611 |
| | AHRM (AUD) | LU1775414433 |
| | AHRM (USD) | LU1775415596 |
| | AR | LU1092475372 |
| | BR | LU1135002472 |
| | CHR (USD) | LU1279371170 |
| | CR | LU1135010228 |
| | I | LU1355506806 |
| | IH (USD) | LU2418734633 |
| | IHR (USD) | LU1279370875 |
| | IR | LU1092475612 |
| | Z | LU1078119408 |
| | ZH (USD) | LU1559459315 |
| ZR | LU1725244864 | |

UCITS DO NOT HAVE A GUARANTEED RETURN AND PAST PERFORMANCE DOES NOT
GUARANTEE FUTURE RETURNS