

## Appendix 9: Sustainable Finance Disclosure (unaudited)

### As at 31 December 2022

Periodic disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852

**Product name:** Global Asset Backed Securities Fund

**Legal entity identifier:** 5493000D3CS7FYLIY330

**Reference period:** 01 January 2022 to 31 December 2022

Unless stated otherwise, the values below have been calculated based on the Fund's investments as of 30 December 2022

### Environmental and/or social characteristics

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not include a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

#### Did this financial product have a sustainable investment objective?

☐ Yes

☒ No

- ☐ It made **sustainable investments with an environmental objective**: \_\_\_\_%
- ☐ in economic activities that qualify as environmentally sustainable under the EU Taxonomy
  - ☐ in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

- ☐ It **promoted Environmental/Social (E/S) characteristics** and while it did not have as its objective a sustainable investment, it had a proportion of \_\_\_\_% of sustainable investments
- ☐ with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy
  - ☐ with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy
  - ☐ with a social objective

☐ It made **sustainable investments with a social objective**: \_\_\_\_%

☒ It promoted E/S characteristics, but **did not make any sustainable investments**

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### Sustainability indicators

measure how the environmental or social characteristics promoted by the financial product are attained.

### To what extent were the environmental and/or social characteristics promoted by this financial product met?

The Fund promoted the social characteristic of avoiding investments in securitisations that violate responsible business or lending practices.

Further detail on the nature of these exclusions is set out below (in response to the question, “How did the sustainability indicators perform?”).

There were no exceptions to the Fund’s attainment of its environmental and social characteristics.

### How did the sustainability indicators perform?

Sustainability Indicator	Indicator Threshold	2022 Indicator Value
<b>Exclusions – Securitisations:</b>		
Predatory lending	0.00%	0.00%
Severe malpractice	0.00%	0.00%
Severe consumer protection breach	0.00%	0.00%
Very severe controversies	0.00%	0.00%

*The EU Taxonomy sets out a “do no significant harm” principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.*

The “do no significant harm” principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

*Any other sustainable investments must also not significantly harm any environmental or social objectives.*

Regulation requires that this document include these statements. However, for the avoidance of doubt, this Fund has not and does not take into account the EU criteria for environmentally sustainable economic activities in the EU Taxonomy.



### How did this financial product consider principal adverse impacts on sustainability factors?

The Fund did not consider principal adverse impact (“PAI”) indicators.

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The list includes the investments constituting **the greatest proportion of investments** of the financial product during the reference period which is: 24.24%

#### What were the top investments of this financial product?

Security	Sector	% Assets	Country
UMBS 4.5% 25/01/2052	Agency Residential Mortgage-Backed Securities	6.42%	United States of America
UMBS 5% 25/01/2050	Agency Residential Mortgage-Backed Securities	4.69%	United States of America
UMBS 5.5% 25/01/2052	Agency Residential Mortgage-Backed Securities	3.34%	United States of America
GNMA 6.5% 20/11/2052	Agency Residential Mortgage-Backed Securities	1.22%	United States of America
PNMAC FMSR ISSUER TRUST, FRN, Series 2018-FT1 'A', 144A 6.394% 25/04/2023	Asset-Backed Securities	0.99%	United States of America
PNMAC FMSR Issuer Trust, FRN 'A', 144A 8.178% 25/05/2027	Asset-Backed Securities	0.90%	United States of America
PMT Issuer Trust, FRN 'A', 144A 7.737% 25/06/2027	Asset-Backed Securities	0.87%	United States of America
PNMAC FMSR Issuer Trust, FRN, Series 2018-GT2 'A', 144A 6.694% 25/08/2025	Asset-Backed Securities	0.82%	United States of America
Seasoned Credit Risk Transfer Trust, FRN, Series 2017-2 'M2', 144A 4% 25/08/2056	Non-Agency Residential Mortgage-Backed Securities	0.82%	United States of America
Mortgage Funding plc, Reg. S, FRN, Series 2008-1 'A3' 4.652% 13/03/2046	Non-Agency Residential Mortgage-Backed Securities	0.78%	United Kingdom
UMBS 4.5% 01/05/2052	Agency Residential Mortgage-Backed Securities	0.70%	United States of America
PMT Issuer Trust, FRN, Series 2021-FT1 'A', 144A 7.044% 25/03/2026	Asset-Backed Securities	0.69%	United States of America
FMC GMSR Issuer Trust, FRN 'A', 144A 3.62% 25/07/2026	Asset-Backed Securities	0.69%	United States of America
PRET LLC 'A1', 144A 5.927% 25/06/2052	Non-Agency Residential Mortgage-Backed Securities	0.67%	United States of America
BHMS, FRN, Series 2018-ATLS 'A', 144A 5.125% 15/07/2035	Commercial Mortgage-Backed Securities	0.64%	United States of America



#### What was the proportion of sustainability-related investments?

99.74% of the Fund's investments attained the promoted social characteristics of the Fund. The remainder of the investments were investments for cash instruments held for ancillary liquidity and derivatives held for hedging purposes which did not attain the promoted environmental characteristics and were not subject to any minimum environmental or social safeguards.

The Fund did not make any sustainable investments within the meaning of the Sustainable Finance Disclosure Regulation ("SFDR").

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#### What was the asset allocation?

**Asset allocation** describes the share of investments in specific assets.



**#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.

#### In which economic sectors were the investments made?

Sector	% Assets
Non-Agency Residential Mortgage-Backed Securities	38.58%
Agency Residential Mortgage-Backed Securities	26.39%
Asset-Backed Securities	16.79%
Commercial Mortgage-Backed Securities	15.91%
Financials	2.07%
Exploration, mining, extraction, production, processing, storage, refining or distribution, including transportation, storage and trade, of fossil fuels	0.00%

The table above only includes investments made by the Fund and excludes other assets held by the Fund such as cash and hedging instruments.

The Fund did not have any exposure to securities or issuers deriving revenue from the fossil fuel related activities listed in the table above.

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#### To what extent were the sustainable investments with an environmental objective aligned with the EU Taxonomy?

The Investment Adviser did not take account of the EU Taxonomy in its management of the Fund. None of the Fund's investments which promoted environmental characteristics have been assessed by the Investment Adviser as aligned with the EU Taxonomy during the reference period.



To comply with the EU Taxonomy the criteria for fossil gas include limitations on emissions and switching to renewable power or low-carbon fuels by the end of 2035. For nuclear energy, the criteria include comprehensive safety and waste management rules.

**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

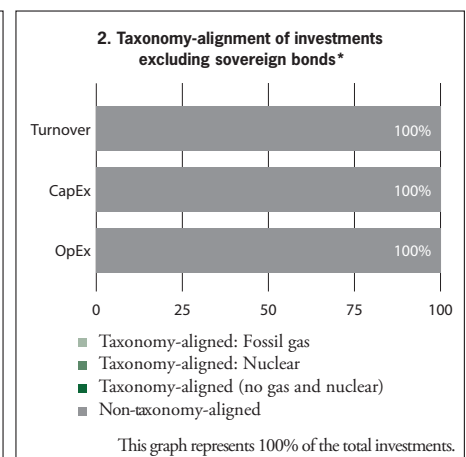
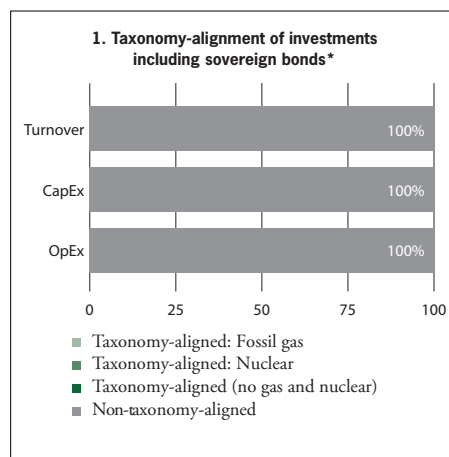
**Transitional activities** are economic activities for which low-carbon alternatives are not yet available and that have greenhouse gas emission levels corresponding to the best performance.

#### Did the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy<sup>1</sup>?

☐ Yes

☒ No

The graphs below show in green the percentage of investments that were aligned with the EU Taxonomy. As there is no appropriate methodology to determine the taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.



\* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures.

<sup>1</sup> Fossil gas and/or nuclear activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do no significant harm to any EU Taxonomy objective – see explanatory note in the left hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commissions Delegated Regulation (EU) 2022/1214.

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Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflects the “greenness” of investee companies today.
- **capital expenditure** (CapEx) shows the green investments made by investee companies, relevant for a transition to a green economy.
- **operational expenditure** (OpEx) reflects the green operational activities of investee companies.

#### What was the share of investments made in transitional and enabling activities?

The Fund did not make any investments which the Investment Adviser assessed to be in transitional or enabling activities, according to the EU Taxonomy.



#### What investments were included under “other”, what was their purpose and were there any minimum environmental or social safeguards?

0.26% of the Fund’s investments were not aligned with the environmental or social characteristics of the Fund and have been included in the “other” category. These investments comprised cash instruments held for ancillary liquidity and derivatives held for hedging purposes, and they were not subject to any minimum environmental or social safeguards.

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#### **What actions have been taken to meet environmental and/or social characteristics during the reference period?**

During the reference period, the Investment Adviser monitored the investment universe according to the Fund's social characteristics, to avoid any new investments in excluded countries or activities.

#### **Data Limitations**

In general, Morgan Stanley Investment Management uses a range of data sources and internal analysis as inputs into its ESG processes. This may include use of data sourced from third party data providers, including for making the disclosures in this report. Such data may be subject to methodological limitations and may be subject to data lags, data coverage gaps or other issues impacting the quality of the data. ESG-related information, including where obtained from third-party data providers, is often based on qualitative or subjective assessment, and any one data source may not in itself present a complete picture relating to the ESG metric that it represents. Minimal discrepancies may also arise in reported data on the Fund's portfolio weightings where the Fund has made use of different underlying sources of holdings data to produce the disclosures included in the report. Morgan Stanley Investment Management takes reasonable steps to mitigate the risk of these limitations. However, it does not make any representation or warranty as to the completeness or accuracy of such data. Any such data may also be subject to change by the third party provider without notice. As such, Morgan Stanley Investment Management may choose to take such action (or inaction) based on any change in data provided by a third party data provider as it deems appropriate in the circumstances.

This report has been prepared based on the Fund's portfolio holdings as of the date specified at the top of this document only (unless the context indicates otherwise). Unless otherwise indicated, the percentages included in this report have been measured according to portfolio weight, which is based on the market value of the investments in the Fund.