FundLogic Alternatives plc

Platform Provider and Distributor
Morgan Stanley & Co. International plc

Supplement dated 13 December 2021
for

Ibercaja Vida Consolida Sostenible

This Supplement contains specific information in relation to the Ibercaja Vida Consolida Sostenible (the "**Sub-Fund**"), a sub-fund of **FundLogic Alternatives plc** (the "**Fund**"), an umbrella fund with segregated liability between sub-funds and authorised by the Central Bank of Ireland (the "**Central Bank**") pursuant to the Regulations. The Sub-Fund's name in English is "Ibercaja Vida Sustainable Consolidation". The Sub-Fund will be managed by FundLogic SAS (the "**Investment Manager**").

"Ibercaja Vida" is the life insurance branch of the banking group Ibercaja in Spain. Ibercaja Vida, Compañía de Seguros y Reaseguros, S.A.U. intends to invest in the Sub-Fund in connection with the issuance of investment linked policies to its clients and will enter into a share purchase agreement with the Distributor for such purposes, thus acting as an intermediary in relation to the sale of Shares in the Sub-Fund.

This Supplement forms part of and should be read in conjunction with the Prospectus for the Fund dated 1 March 2021, as amended (the "Prospectus").

This Sub-Fund promotes environmental, social and governance characteristics.

An investment in the Sub-Fund should not constitute a substantial proportion of an investment portfolio and may not be appropriate for all investors.

The Directors of the Fund whose names appear in the section entitled **Directors of the Fund** in the Prospectus accept responsibility for the information contained in this Supplement. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

Words and expressions defined in the Prospectus shall, unless the context otherwise requires, have the same meaning when used in this Supplement. In the event of any conflict between the Prospectus and this Supplement, this Supplement shall prevail.

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1. INVESTMENT OBJECTIVE AND POLICIES

1.1 Investment Objective

The Sub-Fund's investment objective is (i) to provide Shareholders with long term capital growth from a multi-asset portfolio taking account of environmental, social and governance ("**ESG**") characteristics as outlined in further detail below and (ii) to deliver protection at 85% of the highest Net Asset Value per Share ever achieved by the Class A Shares of the Sub-Fund (the "**Minimum Target NAV**").

1.2 Investment Policy

The Sub-Fund, which is passively managed, will gain exposure (i) to the Portfolio Strategy (as defined below) and (ii) to a put option that will be held with the aim of achieving the Minimum Target NAV (as detailed below) through one or more total return swaps with the Approved Counterparty (collectively the "**Portfolio Swap**"), as outlined in further detail in section 8 below.

The Sub-Fund promotes environmental, social and governance characteristics by gaining exposure to:

a) The MSCI World ESG Leaders Select 5% Issuer Capped Index (the "**Index**"), hedged in EUR; and
b) Fixed income securities, through UCITS exchange traded Funds ("**UCITS ETFs**"), which are generally classified as (i) promoting an environmental or social characteristic (i.e. an Article 8 Fund under the Sustainable Finance Disclosure Regulation (the "**SFDR**")) or (ii) having sustainable investment as its investment objective (i.e. an Article 9 Fund under the SFDR).

The Portfolio Strategy will provide an exposure to a portfolio of assets as set out below (the "**Investment Portfolio**").

The Investment Portfolio seeks to deliver exposure to the following groups of assets (each an "**Asset Group**", collectively "**Asset Groups**").

Equity Asset Group

The Sub-Fund will invest, through the Index (which is UCITS eligible) in equity securities and equity related securities, such as depositary receipts (ADRs, GDRs and EDRs).

The Equity Asset Group allocation will provide exposure to the Index which is constructed by applying a best-in-class screening process to companies in the regional indices that make up the MSCI World Index, its parent index (the "**Parent Index**"), and includes large and mid-cap securities across 23 developed markets countries. The Index aims to target sector weights that reflect the relative sector weights of the underlying MSCI Global Investable Market Indexes and the methodology aims to include securities of companies with the highest ESG ratings representing 50% of the market capitalization in each Global Industry Classification Standard (GICS) sector of the Parent Index.

The Index aims to avoid concentration by capping issuers to a maximum weight of 5% of the Index. The universe of eligible securities includes all securities of the Parent Index. Securities in the Index are selected by applying a combination of values based exclusions and a best-in-class selection process to companies in the Parent Index. Companies showing involvement in thermal coal, tobacco, alcohol, gambling, nuclear power, civilian firearms, fossil fuel extraction, thermal coal power and weapons, conventional weapons, controversial weapons and civilian firearms based on the methodology of the Parent Index are excluded from the Index. For more information on the business activities and the different screens applied to each sector listed, please refer to the index methodology available on msci.com.

Companies are included in the Index based on their ability to manage ESG risks and opportunities and are given a rating by MSCI, the Index sponsor, which determines their eligibility for inclusion in the Index. Companies that are not existing constituents of the Index must have an MSCI ESG Rating of 'BB' or above and an MSCI ESG Controversies Score of 1 or above to be eligible for inclusion in the Index and constituent securities must maintain such ratings and scores to remain eligible for inclusion in the Index.

MSCI uses company ratings and research provided by MSCI ESG Research, i.e. MSCI ESG Ratings, MSCI ESG Controversies and MSCI Business Involvement Screening Research, when calculating the ratings and scores outlined above. MSCI ESG Ratings provides research, analysis and ratings of how well companies manage ESG risks and opportunities. As part of its process, MSCI ESG Ratings provides (i) an overall company ESG rating - a seven point scale from ‘AAA’ to ‘CCC’ and (ii) scores and percentiles indicating how well a company manages each key issue relative to industry peers. In addition, MSCI ESG Controversies provides assessments of controversies concerning the negative ESG governance impact of company operations, products and services.

The Index is rebalanced on a quarterly basis and is published by MSCI. The Index value is also available on Bloomberg and at the date of this Supplement, the ticker is NU735254 Index.

For more details on the Index, please refer to: https://www.msci.com/eqb/methodology/meth_docs/MSCI_ESG_Leaders_5perc_Issuer_Capped_Indexes_Methodology_Oct2020.pdf

In addition to obtaining the exposures outlined above through the Index, the Equity Asset Group may also obtain exposure to UCITS eligible indices that are comprised of forward or futures currency exchange contracts in order to hedge the foreign exchange risk of the Index which is denominated in USD. These indices are developed and operated by Morgan Stanley & Co. International plc, in its capacity as index sponsor (“**MSIP**”).

Fixed Income Asset Group

The Sub-Fund will invest, through UCITS ETFs and UCITS eligible indices, in fixed income securities such as bonds and money market instruments (such as short and medium-term treasury bills and treasury notes, and certificates of deposit and bankers’ acceptances), which are issued by corporate or government issuers, which are fixed or floating rate, rated investment grade or below investment grade or unrated and listed or traded on the Markets referred to in Appendix II of the Prospectus. Each of the UCITS ETFs will be classified as (i) promoting an environmental or social characteristic (ie an Article 8 Fund under the SFDR) or (ii) having sustainable investment as its investment objective (ie an Article 9 Fund under the SFDR). The UCITS eligible indices will not be classified as promoting any environmental; social or governance characteristics. They will provide long exposure to derivatives instruments known as government issued bond futures. These indices are developed and operated by Morgan Stanley & Co. International plc, in its capacity as index sponsor (“**MSIP**”).

The Fixed Income Asset Group allocation intends to provide a diversified exposure to a global bond portfolio comprising government bonds, inflation-linked bonds and global corporate bonds mainly issued in markets such as the United States, Japan and Europe (including the United Kingdom).

On the last Business Day of each calendar month, the weights of the individual components of the global bond portfolio comprising the Fixed Income Asset Group will be determined, applying a linear regression approach, by comparing the most recent historical 50 monthly returns of the Xtrackers II Global Aggregate Bond Swap UCITS ETF (XBAE GT listing in and hedged to EUR) against the most recent 50 monthly past returns of the individual components of the global bond portfolio comprising the Fixed Income Asset Group (four UCITS eligible indices and a basket of global corporate bond ETFs as described in Annex 1). A linear regression approach is a statistical method using the returns of the reference asset, the Xtrackers II Global Aggregate Bond Swap UCITS ETF (XBAE GT), to determine the weights of the global bond portfolio comprising the Fixed Income Asset Group in order to provide a performance close to the Xtrackers II Global Aggregate Bond Swap UCITS ETF (XBAE GT). Xtrackers II Global Aggregate Bond Swap UCITS ETF (XBAE GT) is an ETF fund which aims to track the performance of global markets for fixed-rate debt securities.

In the event that the Xtrackers II Global Aggregate Bond Swap UCITS ETF is no longer an authorised fund or if it is liquidated pending de-authorisation, the Board will decide its replacement, based on the Investment Manager’s recommendation and subject to Shareholder approval. The Investment Manager may use the previous weights of the individual global bond portfolio components until a suitable replacement is decided and disclosed in an updated Supplement.

In addition to obtaining the exposures outlined above, the Fixed Income Asset Group may also obtain exposure to UCITS eligible indices that are comprised of forward or futures currency exchange contracts in order to partially hedge the foreign exchange risk of the USD denominated underlying ETFs which provide exposure to the fixed income securities outlined above. These indices are developed and operated by Morgan Stanley & Co. International plc, in its capacity as index sponsor (“**MSIP**”). Further details on these indices will be disclosed in the annual report of the Company.

Between two rebalances the effective exposure of the Fixed Income Asset Group components may vary depending on market conditions (including but not limited to the performance of each UCITS ETF and indices).

Asset Allocation

Notwithstanding section 11 of the Prospectus, the Investment Portfolio may have significant exposure to the Fixed Income Asset Group which may be obtained through UCITS ETFs and UCITS eligible indices. Accordingly, up to 100% of the Sub-Fund's Net Asset Value may be indirectly invested in UCITS ETFs. No more than 20% of the Sub-Fund's Net Asset Value may be indirectly invested in any one UCITS ETF. The Sub-Fund may not obtain exposure to any UCITS ETF which itself invests more than 10% of its net asset value in other open-ended UCITS ETF. For the avoidance of doubt, the Fund will not obtain exposure to collective investment schemes which are not UCITS ETFs.

Any UCITS ETF to which each Asset Group will gain exposure, will not charge annual management fees in excess of 1% of those underlying funds' respective net asset values.

The exposure to UCITS ETFs and UCITS eligible indices will be managed systematically. The allocation to UCITS ETFs and indices taken in the composition of the Asset Groups will be determined as set out above. The composition of the Equity Asset Group will be fixed whereas the composition of the Fixed Income Asset Group will be rebalanced as per the methodology described above and/or when the foreign exchange hedging related to the Fixed Income Asset Group components will require adjustment.

As a first step, the Investment Manager allocates weight to the Equity Asset Group and the Fixed Income Asset Group through a systematic mechanism based on the volatilities of each Asset Group (as measured by the variability of prices of each of the Asset Groups) and the correlation between them. This mechanism will allocate a weight to each Asset Group and to a cash component with the sum of the weights being 100% of the Investment Portfolio on each weight rebalance date as per the mechanism described below.

The mechanism will determine on a periodic basis the optimal weight to be given to the Equity Asset Group in order to maintain the volatility of the Investment Portfolio close to 6%. For example, if the Equity Asset Group weight represents 100% of the Investment Portfolio, the weight of the Fixed Income Asset Group and of the cash component will be 0%. Similarly if the weight allocated to the Equity Asset Group is 60%, the weight of the Fixed Income Asset Group and of the cash component will be 40% of the Investment Portfolio. During a period when equities have high levels of volatility, the mechanism will decrease the weight allocated to the Equity Asset Group (and increase the weight allocated to the Fixed Income Asset Group and cash component) in order to maintain the volatility of the Investment Portfolio close to 6%. Conversely during a period when equities have low levels of volatility, the mechanism will maximise the weight of the Equity Asset Group in order to maintain the volatility of the Investment Portfolio close to 6%.

In light of the systematic nature of determining the exposure to each Asset Group, and the specific securities within the respective Asset Groups, the Investment Manager does not have any discretion to take active investment management decisions in respect of the Investment Portfolio.

As a second step, in the event that market conditions are such that the first step mechanism cannot maintain a volatility of the Investment Portfolio close to 6%, the Sub-Fund will also adopt a strategy that rebalances between the Investment Portfolio and cash (the "**Portfolio Strategy**") as set out in more detail under section 1.2.1. **Risk Control Mechanism**. The Sub-Fund will also gain exposure to a put option that will pay an amount equal to the Minimum Target NAV (as set out in section 1.2.3 below) less the value of the Portfolio Strategy (the "**Put Option**"). The Put Option will be held with the aim of providing a protection equal to 85% of the highest NAV per Share ever achieved by the Sub-Fund (from the launch of the Sub-Fund onwards).

The Sub-Fund will gain exposure to the Portfolio Strategy and the Put Option through the Portfolio Swap, as described below. Further information in relation to the Portfolio Swap is set out at the section entitled **Total Return Swaps** below.

For the avoidance of doubt, the promotion of the ESG characteristics shall not apply to (i) any UCITS eligible indices providing exposure to government issued bond futures which are part of the Fixed Income Asset Group, (ii) any assets held within the Investment Portfolio for the sole purpose of hedging or reducing risk such as, for example, UCITS eligible indices providing exposure to futures or forward contracts on foreign exchange, or (iii) the Financing Assets (as detailed in Section 8.2 below) to which the Sub-Fund does not have any economic exposure as they are held by the Sub-Fund pursuant to the Financing Swap and such exposure is passed to the Approved Counterparty, as outlined below.

The disclosures set out above provide information in relation to such matters as (a) environmental, social or governance characteristics promoted by the Sub-Fund; (b) the fact the Sub-Fund does not have a sustainable investment objective; (c) the investment policy in relation to sustainable investment; and (d) the use of derivatives.

Further details in relation to the above matters may be included in future updates to this Supplement to the extent required by any future regulatory technical standards to be published by the EU Commission. Further information in relation to the Sub-Fund's approach to sustainable investment may be found on the Company's website at www.fundlogic.morganstanley.com.

Sustainability risks are integrated into the investment decisions for the Sub-Fund as set out above. Further details relating to sustainability risks are set out in the Sustainability Risks section of the Prospectus.

1.2.1 Risk Control Mechanism

The Investment Manager adjusts (potentially on a daily basis) the exposure between the Investment Portfolio and cash through the Portfolio Swap (as further described below), based on certain volatility rules summarised below. The rebalancing seeks to control the volatility risk of the Portfolio Strategy by reducing the allocation to the Investment Portfolio if and when the realised volatility of the Investment Portfolio, as observed for certain periods, increases. As the realised volatility of the Investment Portfolio increases, the exposure to the Investment Portfolio is adjusted downwards to a minimum of 0% and the corresponding exposure to cash is adjusted upwards to a maximum of 100%, such that the anticipated realised volatility of the Portfolio Strategy within the observed periods is consistent with the volatility target, as outlined below. As the realised volatility of the Investment Portfolio decreases, the exposure to the Investment Portfolio is adjusted upwards to a maximum of 125%. To limit the number of occurrences of a rebalancing, the exposure to the Investment Portfolio will be adjusted downwards or upwards only when the target exposure to the Investment Portfolio resulting from the observation of the realised volatility deviates by 5% or more relative to the current exposure of the Investment Portfolio. For the avoidance of doubt, the exposure of the Portfolio Strategy to the Investment Portfolio is not expected to exceed 125% of the Investment Portfolio and will not exceed 130% of the Investment Portfolio in any event.

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The volatility target i.e. the maximum targeted level of annualised change in value of the Portfolio Strategy will be close to 6% during the life of the Portfolio Swap.

1.2.2 Investment Portfolio exposure

The Investment Portfolio will not have any substantial exposure (which will be indirect only through UCITS ETFs) to emerging markets.

The Investment Portfolio will not have an indirect exposure, through UCITS ETFs, to below investment grade assets in excess of 32%. Furthermore, as the exposure of the Portfolio Strategy to the Investment Portfolio can be up to 130% as described in section 1.2.1, the Portfolio Strategy will not have an exposure to below investment grade assets in excess of 42% of the Net Asset Value of the Sub-Fund.

The "long" exposure of the Portfolio Strategy is expected to be at a maximum of 125% of the Net Asset Value and shall not exceed 130% of the Net Asset Value and the Sub-Fund will not have any "short" exposure.

The Sub-Fund will enter into FDI transactions (being the Swaps set out at Section 7) in order to obtain exposure to the Portfolio Strategy. The Sub-Fund (through the Investment Portfolio) will also be exposed to futures and forward currency exchange contacts, for hedging and efficient portfolio management purposes, as outlined above and below. The exposure to futures and forward currency exchange contracts will be obtained through UCITS eligible indices as outlined above.

The FDIs to which the Sub-Fund may be exposed may be exchange traded or over-the-counter.

1.2.3 Minimum Target NAV

The Sub-Fund will on each Dealing Day aim to offer an element of capital protection equal to 85% of the highest Net Asset Value per Share achieved from the launch of the Sub-Fund onwards (i.e. commencing with the initial offer price). This capital protection will be achieved through (i) the Put Option, as part of the Portfolio Swap (as described in section 7.1 below), from the Approved Counterparty that aims to pay any shortfall amount that the Sub-Fund may need to receive in order to pay the Minimum Target NAV to the Shareholders. The premium paid for the exposure to the Put Option by the Sub-Fund to the Approved Counterparty will be at normal commercial rates.

If the value of the Portfolio Strategy equals or exceeds the Minimum Target NAV, the Sub-Fund will not exercise the Put Option.

The initial maturity of the Portfolio Swap is four years, but the Sub-Fund will endeavour to extend periodically the maturity of the Portfolio Swap.

For the avoidance of doubt, the Sub-Fund is not a guaranteed fund in accordance with Regulation 93 of the Central Bank UCITS Regulations.

1.2.4 Termination

The Sub-Fund will terminate on the Business Day following the termination of the Portfolio Swap. As above, the initial term of the Portfolio Swap is four years, but the Sub-Fund will endeavour to extend the term periodically. If it is not possible to achieve this extension and the Directors determine that a termination of the Sub-Fund is likely to result, then Shareholders will be informed about the expected termination date of the Sub-Fund at least 6 months prior to such termination date.

1.3 Securities Financing Transaction Regulation

The Sub-Fund will not enter into repurchase and reverse repurchase agreements or stock lending agreements.

The Sub-Fund's exposure to total return swaps is set out below (as a percentage of Net Asset Value):

	Expected	Maximum
Total Return Swaps	200%	210%

The above shows the expected and maximum notional for the total return swaps and does not include any leverage inherent in the Portfolio Strategy and the Investment Portfolio and does not include the notional of the Put Option.

1.4 Profile of a Typical Investor

Investment in the Sub-Fund is suitable for investors seeking capital growth over a long term horizon. The time horizon for a typical investor is recommended to be more than 4 years.

2. INVESTMENT RESTRICTIONS

The general investment restrictions as set out in the Prospectus shall apply.

The Directors may from time to time impose such further investment restrictions as shall be compatible with or in the best interests of Shareholders, in order to comply with the laws and regulations of the countries where Shareholders are located.

3. INVESTMENT MANAGER

The Investment Manager has its registered office at 61 Rue de Monceau, 75008 Paris, France. It is authorised and regulated by the Autorité des Marchés Financiers in France. As at 6 November 2020, FundLogic SAS had approximately $9.9 billion of assets under management.

The Fund has appointed the Investment Manager as investment manager for the Sub-Fund pursuant to the investment management agreement between the Fund and the Investment Manager as amended and restated on 8 September 2020 and as may be further amended (the "**Agreement**").

Subject to controls imposed by the Directors under the Agreement, all relevant laws and regulations, this Supplement, the Prospectus and the Articles, the Investment Manager has discretion to take day-to-day investment decisions and to deal in investments and to conduct the investment management of the Sub-Fund. The Investment Manager has also agreed to provide the Sub-Fund with risk management services in accordance with the risk management process in respect of the Sub-Fund.

The Agreement provides that the Investment Manager shall be responsible for loss to the Sub-Fund and/or the Fund to the extent such loss arises out of negligence, wilful default or fraud by itself, its directors, officers, servants, employees and appointees. The Investment Manager, its directors, officers, servants, employees and appointees shall not be liable for loss to the Sub-Fund and/or the Fund on account of anything done or suffered by the Investment Manager in good faith in accordance with or in pursuance of any request or advice of the Sub-Fund and/or the Fund.

The Agreement shall continue in force until terminated pursuant to the terms set out therein. Except as set forth in the Agreement, either party may terminate the Agreement on giving not less than 90 days' prior written notice (or such other period as may be agreed between the parties).

4. SUB-CUSTODIAN

Pursuant to an agreement dated 13 December 2021 as amended from time to time (the "**Sub-Custody Agreement**"), the Depositary has appointed MSIP as sub-custodian in relation to the Sub-Fund, subject to the overall supervision of the Depositary, and MSIP may in such capacity hold certain assets of the Sub-Fund from time to time. MSIP is a company incorporated with limited liability under the laws of England and Wales whose principal place of business for this agreement is at 25 Cabot Square, Canary Wharf, London E14 4QA and is regulated by the Financial Conduct Authority (the "**FCA**") in the UK.

The Sub-Custody Agreement may be terminated by either party on 30 days' written notice, or, where the Services Agreement (as defined below) is not terminated, with MSIP's written permission or forthwith by notice in writing in certain circumstances such as the insolvency of MSIP. The Sub-Custody Agreement provides that MSIP shall indemnify the Depositary for certain losses unless MSIP's liability arises (i) in connection with the potential liability of the Depositary that is released pursuant to applicable law following the occurrence of an external event beyond the reasonable control of MSIP, the consequences of which would have been unavoidable despite all reasonable efforts to the contrary; (ii) out of the negligence, wilful default or fraud of the Depositary or any of its affiliates; or (iii) as a result of the delegation by MSIP of the safekeeping of assets to the Depositary or any of its affiliates.

Please note that while MSIP acts as sub-custodian, in certain markets the Depositary may act as the local custodian to the sub-custodian through itself or any of its affiliates.

5. SERVICE PROVIDER

The Fund has appointed MSIP (the "**Service Provider**") to provide certain services (being the services set out in the paragraph immediately below) to the Fund as Service Provider pursuant to a Services Agreement dated 13 December 2021 in respect of the Sub-Fund, as amended from time to time (the "**Services Agreement**").

Under the Services Agreement, the Service Provider or certain other members of the Morgan Stanley Group of companies (the "**Morgan Stanley Companies**") will provide services to the Fund including the provision to the Fund of settlement, clearing and foreign exchange facilities (facilities to hold foreign exchange or to convert currencies). The Service Provider does not have discretion over the Sub-Fund's assets. The Fund may also utilise Morgan Stanley Companies and other brokers and dealers for the purposes of executing transactions for the Fund on an arm's length basis and at normal market rates.

Further detail in respect of the Services Agreement is set out in the section entitled **Other Information** below.

6. INFORMATION ON FINANCIAL DERIVATIVE INSTRUMENTS WITHIN THE PORTFOLIO STRATEGY AND THE SUB-FUND

The Sub-Fund may have exposure, through the Investment Portfolio, to the following Financial Derivative Instruments:

Forward or Futures Currency Exchange Contracts. A forward currency exchange contract or currency futures contract involves an obligation to purchase or sell a specific currency at a future date at a price set at the time of the contract. Such contracts will be used to hedge the currency risk of each Asset Class components. The Sub-Fund or Investment Portfolio may employ UCITS eligible indices that are comprised of forward or futures currency exchange contracts for this purpose.

Futures Contracts of Bonds or Interest Rates. The sale of a futures contract creates an obligation by the seller to deliver the type of financial instrument called for in the contract in a specified delivery month for a stated price. The purchase of a futures contract creates an obligation by the purchaser to pay for and take delivery of the type of financial instrument called for in the contract in a specified delivery month, at a stated price. The Sub-Fund or Investment Portfolio may employ UCITS eligible indices that are comprised of futures contracts of bonds or interest rates.

7. TOTAL RETURN SWAPS

The Sub-Fund will use, as described above in 1.2, a Portfolio Swap (which will deliver the economic performance of the Portfolio Strategy and the Put Option) and for the purpose of efficient portfolio management, a Financing Swap (as defined below).

7.1 The Portfolio Swap

The Portfolio Swap will give the Sub-Fund the economic exposure to the Portfolio Strategy and the Put Option in exchange for a floating rate of return (i.e. a market rate of return agreed with the Approved Counterparty from time to time that may be received by the Sub-Fund through the Financing Swap as described in section 7.2 below) being paid by the Sub-Fund. For the avoidance of doubt, the Portfolio Strategy will provide an exposure to the Investment Portfolio and, as a consequence, to the Equity and Fixed Income Asset Groups as set out at section 1.

The Portfolio Swap contains exposure to the Put Option.

7.2 The Financing Swap

The Sub-Fund will purchase Financing Assets (as detailed below) and transfer the full economic interest in such assets to the Approved Counterparty pursuant to swap agreements (the "**Financing Swap**") in exchange for a floating rate of return (i.e. a market rate of return agreed with the Approved Counterparty from time to time) being received by the Sub-Fund from the Approved Counterparty.

"**Financing Assets**" will include (without aggregate limits) UCITS investment funds domiciled in the EEA (including money market funds and ETFs) which will deliver exposure to the asset classes of fixed income and cash.

They may also include equity securities and other securities with equity characteristics, including, but not limited to, preferred stocks, warrants on equities (which gives the holder the right to buy the underlying equity at a specified price and time and will not embed leverage) and depository receipts for such securities (American depositary receipts traded in the United States markets and global depositary receipts traded in other world markets), issued by companies worldwide and which may or may not be constituents of the Portfolio Strategy.

The Financing Assets (other than permitted unlisted investments) will be listed or traded on the Markets referred to in Appendix II of the Prospectus and will include global developed market equities which are constituents of the Parent Index.

The Financing Assets will have no exposure to emerging markets. The Financing Assets is expected to have a maximum indirect exposure through ETFs to below investment grade assets of 42%.

The assets acquired will be subject to the liquidity management policy of the Sub-Fund as defined by the Board, which seeks to ensure that substantially all of the Financing Assets can be sold at market value within a short timeframe.

The Approved Counterparty does not have discretion over the selection of the Financing Assets.

It is not anticipated that the Sub-Fund will be exposed to the performance or risks of the Financing Assets other than in the event of a default by the Approved Counterparty under the terms of the Financing Swap.

The Sub-Fund's exposure to the Approved Counterparty will be managed in one or more ways including through collateral provided to the Sub-Fund by the Approved Counterparty, a re-set of the counterparty exposure as permitted by the Central Bank.

8. APPROVED COUNTERPARTY(IES)

The sole approved counterparty / counterparties for all off exchange derivatives is Morgan Stanley or any of its affiliates or subsidiaries that is a UCITS eligible counterparty (the "Approved Counterparty"). The Approved Counterparty does not have discretion over the Sub-Fund's assets.

The Directors may from time to time, in their sole discretion, approve additional UCITS eligible counterparties. Any such additional counterparties will be disclosed in the annual report in respect of the Sub-Fund.

The Sub-Fund will pay a premium (which may be partly on an upfront basis and partly on a running basis) to the Approved Counterparty for exposure to the Put Option, under the Portfolio Swap, at normal commercial rates. In addition the costs and fees of the Investment Manager, the Platform Provider, the Administrator's and Depositary's fees (disclosed in section 14 on Charges and Expenses) which are paid or reimbursed by the Approved Counterparty may ultimately be borne by the Sub-Fund as costs, under the terms of the Portfolio Swap. Under the terms of the Portfolio Swap if the Approved Counterparty suffers a material increase in the cost of hedging the Portfolio Swap then such increase in costs may have to be borne by the Sub-Fund.

9. BORROWING AND LEVERAGE

The Sub-Fund may borrow money in an amount up to 10% of its net assets at any time and the Depositary may charge the assets of the Sub-Fund as security for any such borrowing, provided that such borrowing is only for temporary purposes and cannot be for the purpose of investments.

In accordance with the requirements of the Central Bank, the absolute VaR of the Sub-Fund on any day may not exceed 20% of the Net Asset Value of the Sub-Fund using a one-tailed confidence interval of 99% over a holding period of 20 days and a historical observation period of at least one year. The absolute VaR of the Sub-Fund will be calculated daily.

The Sub-Fund's gross leverage calculated using the sum of the notional exposure of its derivatives positions (including leverage inherent in the Portfolio Strategy) is not expected to exceed 241.50% of the Net Asset Value of the Sub-Fund, although it is possible that leverage may exceed this level from time to time. The Sub-Fund's gross leverage will depend on the exposure of the Portfolio Strategy to the Investment Portfolio (which may be leveraged up to 125%), the notional exposure contained within the Investment Portfolio and the exposure of the Sub-Fund to the Portfolio Strategy.

The Sub-Fund will use the absolute VaR risk measurement approach and any reference to the commitment approach in respect of the Portfolio Strategy in this Supplement is intended solely as a supplementary disclosure to investors and relates to the Portfolio Strategy and not the Sub-Fund. The Sub-Fund may be leveraged through the use of FDI, including through the Portfolio Swap which provides exposure to the Portfolio Strategy. For the avoidance of doubt, the leverage limits disclosed above are consistent with and do not breach section 13.1 of the Prospectus which provides that the Sub-Fund's global exposure relating to FDI will not exceed its total Net Asset Value.

10. RISK FACTORS

The risk factors set out in the section entitled **Risk Factors** in the Prospectus apply.

The following additional risk factors also apply:

Counterparty Risk

The Sub-Fund will be exposed to the credit risk of the parties with which it transacts and may also bear the risk of settlement default. Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Sub-Fund. This would include the counterparties to any FDI or repurchase agreement that it enters into. Trading in FDI which have not been collateralised gives rise to direct counterparty exposure. The Sub-Fund mitigates much of its credit risk to its counterparties by receiving collateral with a value at least equal to the exposure to each counterparty but, to the extent that any FDI is not fully collateralised, a default by the counterparty may result in a reduction in the value of the Sub-Fund. The Fund maintains an active oversight of counterparty exposure in line with the Regulations and the collateral management process in respect of the Sub-Fund.

The restrictions on cash collateral as set out in the section entitled **Efficient Portfolio Management** in the Prospectus shall apply. Where cash collateral is re-invested it will be subject to the same risks as direct investments as set out in the section entitled **Risk Factors** in the Prospectus.

Low Exposure to each Asset Group within the Investment Portfolio

Based on the systematic mechanism described in section 1.2, there is a risk that there is low or even no exposure to each of the Asset Groups within the Investment Portfolio for certain periods. In this case, the Investment Portfolio will be exposed either only to one of the Asset Groups or to overnight interest rates which might be negative.

Low Exposure to Portfolio Strategy

Based on the risk control mechanism, if the realised volatility of the Portfolio Strategy exceeds the volatility target there is a risk that there is low or even no exposure to the Portfolio Strategy for certain periods. In this case, Shareholders will be exposed to overnight interest rates which might be negative.

Volatility of the Net Asset Value

The volatility target of the Portfolio Strategy will be close to 6% during the life of the Portfolio Swap. Investors should note and for the avoidance of doubt, that the realised volatility of the Net Asset Value of the Sub-Fund can exceed the volatility target.

Minimum Target NAV

The Sub-Fund aims to provide an element of capital protection, however, this will be dependent on the solvency of the Approved Counterparty. In the event of insolvency of the Approved Counterparty, the Sub-Fund will be exposed to the performance of the Financing Assets.

Investors should note that the Minimum Target NAV does not provide complete capital protection and only aims to provide a payment equal to a minimum of 85% of the highest Net Asset Value per Share achieved from the launch of the Sub-Fund onwards.

It is important to note that, while a repurchasing Shareholder will receive an amount equal to the Net Asset Value per Share on redemption, each Share may benefit from limited capital protection only, regardless of the Net Asset Value per Share at which such Share was purchased by the Shareholder.

Currency Risk

The Sub-Fund's performance may be influenced by movements in currency exchange rates because the Investment Portfolio may hold securities positions that are not denominated in the base currency of the Sub-Fund.

Impact of the valuation of Off Exchange Derivatives on the Net Asset Value of the Sub-Fund

The Sub-Fund invests in derivatives, the valuation of which depends on multiple market parameters. Thus, Shareholders will not be able to derive the Net Asset Value of the Sub-Fund from an increase of the level of the Portfolio Strategy alone.

Impact of subscription/redemption on the OTC valuation

The value assigned to the OTC derivative instruments shall be the quotation received from the counterparty to such contracts at the Valuation Point. Investors should note that the valuation received from the counterparty will be impacted by the level of redemption or subscriptions received into the Sub-Fund on a daily basis. On a day when net subscriptions/only subscriptions are received, the counterparty will provide a price which is likely to be closer to their offer price for the contract, whereas if there are net redemptions/only redemptions received by the Sub-Fund, the counterparty will provide a price which is likely to be closer to their bid price for the contract. The independent valuation provider, which is appointed by the Board and approved by the custodian, will verify all values received from the counterparty on at least a weekly basis as set out in the Prospectus.

MSIP as index sponsor

MSIP will act as index sponsor in respect of the UCITS eligible indices that the Investment Portfolio may have exposure to, as outlined in section 1.2 above.

In light of MSIP acting as index sponsor of some UCITS eligible indices, the conflict of interest protections described in the section of the Prospectus entitled **Sub-Fund Transactions and Conflicts of Interest** shall be adhered to.

Depositary/MSIP Insolvency

The Sub-Fund is subject to a number of risks relating to the insolvency, administration, liquidation or other formal protection from creditors ("**Insolvency**") of the Depositary and/or MSIP in its capacity as sub-custodian. These risks include without limitation: the loss of all cash which is not treated as client money in accordance with any agreed procedures with MSIP; the loss of some or all of any securities held on behalf of the Sub-Fund which have not been properly segregated and so identified both at the level of the Depositary and/or MSIP or client money held by or with MSIP in connection with a reduction to pay for administrative costs of an Insolvency and/or the process of identifying and transferring the relevant securities and/or client money for other reasons according to the particular circumstances of the Insolvency; and losses caused by prolonged delays in receiving transfers of balances and regaining control over the relevant assets.

11. DIVIDEND POLICY

It is not the intention of the Directors to declare a dividend in respect of any Share Class. Any distributable profits will remain in the Sub-Fund's assets and be reflected in the Net Asset Value of the relevant Class of Shares.

12. KEY INFORMATION FOR PURCHASES AND SA LES OF SHARES

Base Currency

EUR

Classes of Shares

Shares in the Sub-Fund will be available in the following Class:

Class	Currency Denomination	Currency Hedged Shares	Initial Issue Price per Share
Class A EUR Shares	EUR	No	EUR 100

Investors must subscribe into the Share Class in the currency in which that Share Class is denominated. Repurchase payments are also made in the currency in which the relevant Share Class is denominated.

The Initial Offer Period for the Shares is from 9.00 a.m. (Irish time) on 14 December 2021 until 5:00 p.m. (Irish time) on 13 June 2022 as may be shortened or extended by the Directors in accordance with the requirements of the Central Bank.

Shares will initially be issued per the terms and at the Initial Issue Price per Share detailed in the above table. Thereafter, Shares are issued at the Net Asset Value per Share on each Dealing Day.

Initial Investment Period

Following the close of the Initial Offer Period, the Sub-Fund may initially invest its assets solely in bank deposit and/or Financing Assets in order to enter into the Financing Swap pending its investment in the Portfolio Swap. During such period, which is not expected to exceed three months from the date of close of the Initial Offer Period, the Sub-Fund will not be exposed to the Portfolio Swap.

Business Day

Every day (except legal public holidays in any of London, Paris, Dublin or New York or days on which the stock markets in any of London, Paris, Dublin, or New York are closed) during which banks in London, Paris, Dublin, or New York are open for normal business and such other day or days as the Directors may from time to time determine and notify in advance to Shareholders. The 24th and the 31st December are deemed public holidays for the purpose of this Supplement.

Dealing Day

Every Business and/or such other day or days as the Directors may from time to time determine and notify in advance to Shareholders, provided that in any event there shall be at least one Dealing Day per fortnight.

Dealing Deadline

10:00 am (Irish time) on the relevant Dealing Day.

The Directors may, in their discretion and on an exceptional basis only, waive the Dealing Deadline either generally or in relation to any specific subscription provided that applications are received prior to the Valuation Point (being the earliest close of business of any relevant market on that Dealing Day) for that particular Dealing Day. For the avoidance of doubt, no application shall be accepted after the close on a Dealing Day of any market relevant to the assets and liabilities of the Sub-Fund.

Settlement Date

In the case of subscriptions, 3 Business Days after the relevant Dealing Day.

In the case of repurchases, 3 Business Days after the relevant Dealing Day.

In respect of subscriptions investors will be liable for any interest, losses or other costs incurred as a result of failing to settle an order within these time frames.

Valuation Point

Close of business on the relevant Dealing Day.

In the case of transferable securities and listed FDI, the Valuation Point will be such time on a Dealing Day which reflects the close of business on the markets relevant to such assets and liabilities or such other time as the Directors may determine from time to time and notify to Shareholders. In the case of OTC FDI, the Valuation Point will be the close of business on the Dealing Day or such other time as the Directors may determine from time to time and notify to Shareholders.

With regards the valuation of OTC FDI, some of the underlying of which are UCITS eligible indices, the OTC FDI and thus the Sub-Fund's Net Asset Value will be computed using the level officially published by the index calculation agent for the latest available close on the day on which the Net Asset Value is calculated by the Administrator.

For the avoidance of doubt, the time at which the Net Asset Value is determined will always be after the Dealing Deadline.

13. CHARGES AND EXPENSES

Redemption in Specie

The provisions of the section of the Prospectus entitled **Repurchase of Shares** in respect of the ability of the Directors to satisfy a repurchase request in whole or in part by an in-kind distribution of securities of the relevant Sub-Fund in lieu of cash with or without consent of the Shareholder shall not apply to the Sub-Fund.

Management Charge

The Fund will pay up to 0.10% per annum to the Investment Manager from the net assets attributable to the Sub-Fund which is accrued daily and paid quarterly in arrears.

Platform Provider Fees

The Fund will pay to the Platform Provider, out of the assets of the Sub-Fund, a fee which will not exceed 1.375% per annum of the net assets of the Sub-Fund and will be accrued daily and paid quarterly in arrears.

The Platform Provider will, inter alia, pay the fees and expenses of any service provider to the Sub-Fund (other than the Investment Manager) and in particular, the Administrator and the Depositary and any index licence fees in respect of the Sub-Fund.

The Platform Provider may use such fees for distribution services provided by it, to pay the fees of any sub-distributor appointed by it or any rebates payable to investors in the Sub-Fund..

Notwithstanding the above, any transaction charges, reasonable fees and customary agents' charges due to any local market sub-custodian (not including the Depositary or any of its affiliates), which shall be charged at normal commercial rates, together with value added tax, if any, thereon, shall be paid out of the assets of the Sub-Fund or, if paid by the Depositary, shall be reimbursed to the Depositary out of the assets of the Sub-Fund.

Initial, Exchange and Repurchase Charges

The Sub-Fund will not impose an anti-dilution levy or initial, exchange or redemption charge on subscriptions.

Ongoing Charges and Expenses

The additional charges and expenses specified in the section entitled **Ongoing Charges and Expenses** in the Prospectus will, save in respect of the fees of the Distributor, be paid out of the assets of the Sub-Fund.

14. HOW TO SUBSCRIBE FOR SHARES

Requests for the purchase of Shares should be made in accordance with the provisions set out in the section entitled **Applications for Shares** in the Prospectus.

The Directors reserve the right to reject in whole or part any subscription at their sole discretion.

15. HOW TO SELL SHARES

Requests for the sale of Shares should be made in accordance with the provisions set out in the section entitled **Repurchase of Shares** in the Prospectus.

Notwithstanding the provisions contained under **Repurchase of Shares** in the Prospectus, the Directors shall not be entitled to refuse to redeem Shares in excess of 10% of the total number of Shares in the Sub-Fund or 10% of the Net Asset Value of the Sub-Fund on any Dealing Day. For the avoidance of doubt, the provisions under **Temporary Suspension of Repurchase** in the Prospectus shall remain applicable to the Sub-Fund.

16. ESTABLISHMENT CHARGES AND EXPENSES

The cost and expenses of establishing the Sub-Fund are paid by the Platform Provider out of the fee paid to the Platform Provider by the Fund.

17. OTHER CHARGES AND EXPENSES

Further details of charges and expenses payable out of the assets of the Sub-Fund are set out in the Prospectus under the headings **Management Charges and Expenses** and **General Charges and Expenses.**

18. OTHER INFORMATION

As at the date of this Supplement, there are fifty-four other sub-funds of the Fund currently in existence: Emerging Markets Equity Fund, MS PSAM Global Event UCITS Fund, Indus PacifiChoice Asia Fund, MS Ascend UCITS Fund, MS Alkeon UCITS Fund, MS Swiss Life Multi Asset Protected Fund, MS Dalton Asia Pacific UCITS Fund, MS Lynx UCITS Fund, MS Scientific Beta Global Equity Factors UCITS ETF, MS Fideuram Equity Smart Beta Dynamic Protection 80 Fund, MS Nezu Cyclicals Japan UCITS Fund, MS Scientific Beta US Equity Factors UCITS ETF, MSCI Emerging Markets ESG Equity Fund, MS Tremblant Long/Short Equity UCITS Fund, Global Equity Risk Premia Long/Short UCITS Fund, MS Fideuram Equity Smart Beta Dynamic Protection 80 Fund II, DAX® 80 Garant, IPM Systematic Macro UCITS Fund, Quantica Managed Futures UCITS Fund, Smartfund 80% Protected Growth Fund, Smartfund 80% Protected Balanced Fund, MSCI China A International Fund, Smartfund Growth Fund, Smartfund Balanced Fund, Smartfund Cautious Fund, 80% Protected Index Portfolio, Market Neutral Credit UCITS Fund, Academy Quantitative Global UCITS Fund, Arno Fund, Abante 80% Proteccion Creciente Fund, Moderate 80% Protected Fund, Cautious 85% Protected Fund, Equity Risk Managed Fund, Cube Global Cross Asset UCITS Fund, Investcorp Geo-Risk Fund, CZ Absolute Alpha UCITS Fund, Morgan Stanley RADAR ex Agriculture & Livestock Fund, Generali 80% Protected Fund – A, Generali 80% Protected Fund – D, SciBeta HFE EM Equity 6F EW UCITS ETF, SciBeta HFE Europe Equity 6F EW UCITS ETF, SciBeta HFE Pacific ex-Jap Equity 6F EW UCITS ETF, SciBeta HFE Japan Equity 6F EW UCITS ETF, SciBeta HFE US Equity 6F EW UCITS ETF, Smartfund 80% Protected Balanced Fund – C, Smartfund 80% Protected Growth Fund – C, Carrhae Capital Long/Short Emerging Market Equity UCITS Fund, ACUMEN Capital Protection Portfolio, ACUMEN Income – Protection Portfolio, Movestic Avancera 75, Movestic Avancera 85, Pergola 90, Acumen ESG Protection Portfolio, SciBeta HFI US Equity 6F EW (USD) UCITS ETF, Zebra Kante™ 80 Protect and Morgan Stanley Alpha Tracker UCITS Fund.

Services Agreement

Pursuant to the Services Agreement, neither the Service Provider nor any Morgan Stanley Company nor their employees or officers will be liable for any loss, cost, charge, fee, expense, damage or liability resulting from any act or omission made in connection with the Services Agreement or the services provided thereunder. In particular, but without limitation, the Service Provider will not be liable for any loss of, or any failure to insure, investments, or for the quality, quantity, condition or delivery of investments or the correctness, validity, sufficiency or genuineness of any of the documents relating to investments. This exclusion does not apply where such loss results directly from the negligence, wilful default or fraud of the Service Provider or any Morgan Stanley Company or their employees or officers.

The Service Provider or any Morgan Stanley Company or their employees or officers will not in any circumstances be liable for any consequential loss, damage or liability regardless of whether it is aware of the likelihood of such loss, damage or liability. The Fund will fully indemnify the Service Provider or any Morgan Stanley Company or their employees or officers on demand against any and all claims which the Service Provider or any Morgan Stanley Company or their employees or officers may suffer or incur directly or indirectly (including those incurred to a sub-custodian, broker, executing broker, exchange, clearing house or other regulatory authority) as a result of, or in connection with, or arising out of, the Services Agreement, related documents, related transactions and any other matters set out in the Services Agreement. This indemnity will not extend to the Service Provider or any Morgan Stanley Company or their employees or officers in so far as the claims suffered by the same are a direct result of its fraud, wilful default, negligence, breach of applicable law or regulation (other than where the breach of law or regulation arises as a result of the indemnified person taking any action or inaction on the instructions of the Fund or its agents or as a result of the failure by the Fund to take any action required to be taken by it under applicable law or regulation).

As security for the payment and discharge of all liabilities of the Fund to the Service Provider and the Morgan Stanley Companies, all investments and cash held by the Service Provider and each such Morgan Stanley Company will be charged by the Fund in their favour and will therefore constitute collateral for the purposes of the rules of the FCA. Investments and cash may also be deposited by the Fund with the Service Provider and other Morgan Stanley Companies as margin and will also constitute collateral for the purposes of the FCA rules. Investments which constitute collateral for the purposes of the FCA rules may not be segregated from the Service Provider's own investments and may be available to creditors of the Service Provider or the Morgan Stanley Companies. Cash which the Fund transfers to the Service Provider will, subject to the terms of the Agreement, be client money for the purposes of the FCA rules and will therefore be subject to the client money protections conferred by the FCA rules.

Either party may terminate the Services Agreement by giving at least seven business days' prior written notice. The Service Provider may terminate the Services Agreement with immediate effect if it determines in its discretion that it has become unlawful under any applicable law for the Service Provider or the Morgan Stanley Companies or the Fund to perform of any or all of its respective obligations thereunder.

Annex 1

Asset Group		High Yield classification	SFDR Regulation (EU) 2019/2088 Classification (For information purposes only)	Currency	Asset	Ticker
Fixed Income Asset Group	**Basket of global corporate bond ETFs**	Yes	Article 8	USD	iShares $ High Yield Corp Bond ESG UCITS ETF	DHYA LN Equity
		No	Article 8	EUR	UBS (Lux) Fund Solutions - Bloomberg Barclays MSCI US Liquid Corporates Sustainable UCITS ETF	CBSUS IM Equity
		Yes	Article 8	EUR	iShares EUR High Yield Corp Bond ESG UCITS ETF	EHYA NA Equity
		No	Article 8	EUR	iShares EUR Corp Bond ESG UCITS ETF	SUOE LN Equity
		No	Not Applicable	EUR	FX Index	MSQTUERF Index
	UCITS eligible index	No	Not Applicable	USD	UST 10 YR Future	MSRFTYLG Index
	UCITS eligible index	No	Not Applicable	EUR	Bund 10 YR Future	MSRFRXLG Index
	UCITS eligible index	No	Not Applicable	GBP	Gilt 10 YR Future	MSRFGTLG Index
	UCITS eligible index	No	Not Applicable	JPY	JGB 10 YR Future	MSRFJBLG Index
Equity Asset Group		No	Not Applicable	USD	MSCI World ESG Leaders Select 5% Issuer Capped Index*	NU735254 Index
		No	Not Applicable	EUR	FX Index	MSQTUERF Index

* The Index aims to target sector weights that reflect the relative sector weights of the underlying MSCI Global Investable Market Indexes and the methodology aims to include securities of companies with the

highest ESG ratings representing 50% of the market capitalization in each Global Industry Classification Standard (GICS) sector of the Parent Index

The Investment Manager may propose to replace the asset within the Investment Portfolio as described in Annex 1 with an asset that has the same reference index subject to the approval of the Directors. The Shareholders will be duly notified of such amendment in Investment Portfolio.

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