Morgan Stanley

INVESTMENT MANAGEMENT

Morgan Stanley Investment Funds (MS INVF)

Global Convertible Bond Fund

FIXED INCOME | GLOBAL FIXED INCOME TEAM

FUND OVERVIEW | 31 DECEMBER 2018

An Attractive Way to Obtain Exposure to Rising Equities, but with Defensive Characteristics

Convertible bonds are distinctive instruments which are often misunderstood by investors and underrepresented in investment portfolios. In essence, a convertible is a hybrid instrument that consists of a regular corporate bond with an equity call option attached. They have been part of the investment universe for over 100 years.

Why Invest in Convertibles?

Convertibles can be a valuable diversifying tool in a balanced portfolio. Due to their hybrid nature, convertibles display characteristics of both equities and bonds, providing yield potential to investors as well as the opportunity to participate in the potential upside of shares. Research shows that adding convertible bonds to a portfolio of pure equity and credit increased the portfolio's expected return.[1]

What Makes Convertibles "Different" from the Equity and Credit Constituents?

1. NOT A DIRECT OWNERSHIP IN EQUITY: Instead, convertibles contain long-term equity call options that help manage downside risk but provide a direct link to rising share prices and rising equity volatility.

2. THEY PROVIDE DIVERSIFICATION AWAY FROM KEY BENCHMARKS: Approximately two thirds of issuers in the convertible bond market do not issue straight debt, providing underlying credit exposure that differs from core benchmarks.

3. CONVERTIBLE MARKETS ARE INDEPENDENT FROM CREDIT AND EQUITY MARKETS: Demand and supply of convertibles is independent of credit and equity markets, making them relatively cheaper or richer at unique times, providing portfolio diversification

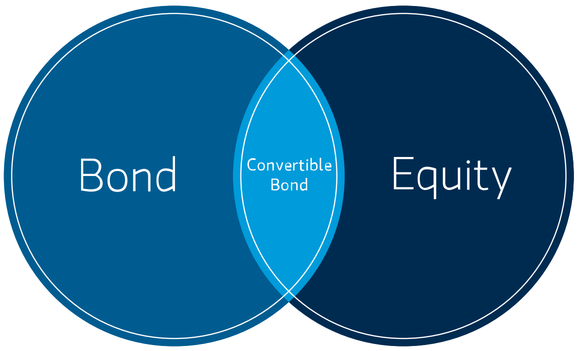
Convertibles display an asymmetric return payoff relative to stocks, providing the opportunity to participate in the potential upside of the equity market while exhibiting a reduced exposure to the possible downsides. In addition to the optionality they provide to investors, convertibles have a track record of strong historical returns, offering a current yield that typically matches the dividend yield of a portfolio of equities.

Why is Now the Right Time to Invest in Convertibles?

FUNDAMENTAL REASONS: In the current market environment, convertibles can benefit both equity-focused and bond-focused investors. Equity markets have performed well but in recent times have shown more volatility. Investors who are fully invested in stocks might therefore consider reallocating a portion of their equity investment to convertibles to help protect the downside and benefit from market volatility. On the other hand, investors who are fully invested in bonds will be concerned about the prospect of rates rising, and convertibles are one of the few fixed income strategies that typically benefit when rates go up.

TECHNICAL CONSIDERATIONS: Like all assets, convertible bonds trade cheaper than their fair value when supply exceeds demand. While the demand for convertibles has been strong in recent years, the supply has been stronger, particularly in the U.S. where positive equity markets have led companies to issue convertible bonds. This strong supply provides our market with a large range of attractively priced bonds that can provide added return over time due to their cheaper valuation.

Convertibles are hybrid instruments that provide exposure to regular corporate bonds but also provide the capability to participate in the upswing of equity



[1] Source: Bank of America and Merrill Lynch Convertible Research (12/1989 to 07/2010).

This represents how the portfolio management team generally implements its investment process under normal market conditions included here for informational purposes only.

Investment Team

Investment Team	INVESTMENT EXPERIENCE
Tom D. Wills, *Managing Director*	21 years
Christian G. Roth, *Managing Director*	32 years
Richard Class, *Managing Director*	19 years

Team members may be subject to change at any time without notice.

Differentiators

1. Performance and Diversification[2]

The unique structure of convertible bonds enables them to add uncorrelated performance and diversification benefits.

2. Emphasis on Total Returns

The team focuses on opportunities for total portfolio returns rather than managing to a specific benchmark.

3. Clear Process with Time-Tested Results

Our investment process is clear and easily understood. It is based on our experience in optimally managing this asset class over two decades.

4. Experienced Team

The lead fund management team has over 20 years experience in the global convertibles space, delivering good returns through a variety of economic cycles.

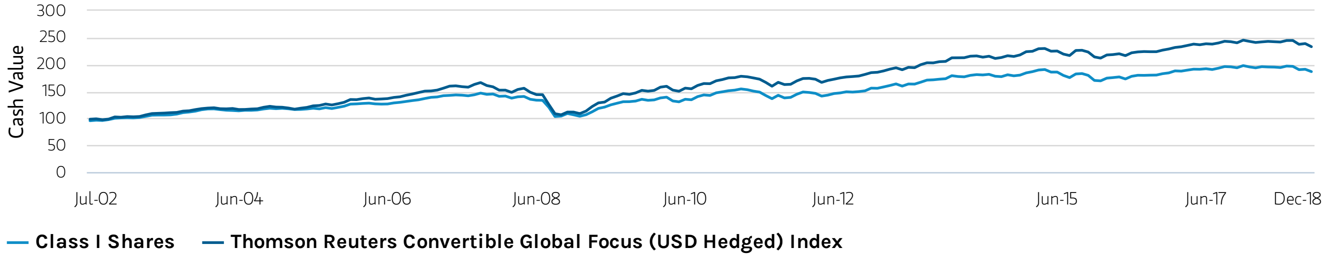
5. Global Approach

We believe that given the size of the investment universe, a regional approach is inefficient. Our global approach ensures that we consider the entire opportunity set available.

[2] Diversification does not protect against a loss in a particular market; however it allows to spread that risk across various asset classes.

MS INVF Global Convertible Bond Fund

Class I (% net of fees) Performance of 100 USD Invested Since Inception (17 July 2002)



12 Month Performance Periods to Latest Month End (%)

	DECEMBER '17 - DECEMBER '18	DECEMBER '16 - DECEMBER '17	DECEMBER '15 - DECEMBER '16	DECEMBER '14 - DECEMBER '15	DECEMBER '13 - DECEMBER '14
Class I Shares	-3.69	6.01	1.73	0.47	3.64
Thomson Reuters Convertible Global Focus (USD Hedged) Index	-3.01	6.00	1.59	3.83	4.73

Past performance is not a reliable indicator of future results. Returns may increase or decrease as a result of currency fluctuations. All performance data is calculated NAV to NAV, net of fees, and does not take account of commissions and costs incurred on the issue and redemption of units. The sources for all performance and Index data is Morgan Stanley Investment Management. All data as of 31 December 2018 and subject to change daily. Please visit our website www.morganstanley.com/im to see the latest performance returns for the fund's other share classes.

The Blended Index performance shown is calculated using the ICE BofAML G300 Global Convertible Index Local Currency to 31 October 2005, the ICE BofAML G300 Global Convertible Index USD Hedged to 30 April 2011 and the Thomson Reuters Convertible Global Focus (USD Hedged) Index thereafter.

Share Class I Risk and Reward Profile

Lower Risk						Higher Risk
1	2	3	**4**	5	6	7
Potentially Lower Rewards						Potentially Higher Rewards

The risk and reward category shown is based on historic data.

- Historic figures are only a guide and may not be a reliable indicator of what may happen in the future.
- As such this category may change in the future.
- The higher the category, the greater the potential reward, but also the greater the risk of losing the investment. Category 1 does not indicate a risk free investment.
- The fund is in this category because it invests in fixed income securities which convert into company shares and the fund's simulated and/or realised return has experienced medium rises and falls historically.
- The fund may be impacted by movements in the exchange rates between the fund's currency and the currencies of the fund's investments.

This rating does not take into account other risk factors which should be considered before investing, these include:

- The value of bonds are likely to decrease if interest rates rise and vice versa.
- The value of financial derivative instruments are highly sensitive and may result in losses in excess of the amount invested by the Sub-Fund.
- Issuers may not be able to repay their debts, if this happens the value of your investment will decrease. This risk is higher where the fund invests in a bond with a lower credit rating.
- The fund relies on other parties to fulfill certain services, investments or transactions. If these parties become insolvent, it may expose the fund to financial loss.
- There may be an insufficient number of buyers or sellers which may affect the funds ability to buy or sell securities.
- There are increased risks of investing in emerging markets as political, legal and operational systems may be less developed than in developed markets.
- Past performance is not a reliable indicator of future results. Returns may increase or decrease as a result of currency fluctuations. The value of investments and the income from them can go down as well as up and investors may lose all or a substantial portion of his or her investment.
- The value of the investments and the income from them will vary and there can be no assurance that the Fund will achieve its investment objectives.
- Investments may be in a variety of currencies and therefore changes in rates of exchange between currencies may cause the value of investments to decrease or increase. Furthermore, the value of investments may be adversely affected by fluctuations in exchange rates between the investor's reference currency and the base currency of the investments.

DEFINITIONS

Convertible bonds are a type of bond that has attached to it the optionality for the holder to convert the bond into a specified number of shares of common stock of the issuing company or cash of equal value. **Equity call options** give the option holder the right, but not the obligation, to buy a stock at a specified price within a specified time period.

INDEX INFORMATION

The **Thomson Reuters Convertible Global Focus USD Hedged Index**: is a market weighted index with a minimum size for inclusion of $500 million (US), 200 million (Europe), 22 billion Yen, and $275 million (Other) of Convertible Bonds with an Equity Link.

ICE BofAML G300 Global Convertible Index - Local Currency is a global convertible index composed of companies representative of the market structure of countries in North America, Europe and the Asia/Pacific region. It is composed of securities denominated in their respective local currencies.

ICE BofAML G300 Global Convertible Index USD Hedged is a global convertible index composed of companies representative of the market structure of countries in North America, Europe and the Asia/Pacific region. It is hedged to the U.S. dollar.

DISTRIBUTION

This communication is only intended for and will only be distributed to persons resident in jurisdictions where such distribution or availability would not be contrary to local laws or regulations. In particular, the Shares are not for distribution to US persons.

Ireland: Morgan Stanley Investment Management (Ireland) Limited. Registered Office: The Observatory, 7-11 Sir John Rogerson's, Quay, Dublin 2, Ireland. Registered in Ireland under company number 616662. Regulated by the Central Bank of Ireland. **United Kingdom**: Morgan Stanley Investment Management Limited is authorised and regulated by the Financial Conduct Authority. Registered in England. Registered No. 1981121. Registered Office: 25 Cabot Square, Canary Wharf, London E14 4QA, authorised and regulated by the Financial Conduct Authority. **Dubai:** Morgan Stanley Investment Management Limited (Representative Office, Unit Precinct 3-7th Floor-Unit 701 and 702, Level 7, Gate Precinct Building 3, Dubai International Financial Centre, Dubai, 506501, United Arab Emirates. Telephone: +97 (0)14 709 7158). **Germany:** Morgan Stanley Investment Management Limited Niederlassung Deutschland 4th Floor Junghofstrasse 18-26, 60311 Frankfurt am Main, Germany (Gattung: Zweigniederlassung (FDI) gem. § 53b KWG). **Italy:** Morgan Stanley Investment Management Limited, Milan Branch (Sede Secondaria di Milano) is a branch of Morgan Stanley Investment Management Limited, a company registered in the UK, authorised and regulated by the Financial Conduct Authority (FCA), and whose registered office is at 25 Cabot Square, Canary Wharf, London, E14 4QA. Morgan Stanley Investment Management Limited Milan Branch (Sede Secondaria di Milano) with seat in Palazzo Serbelloni Corso Venezia, 16 20121 Milano, Italy, is registered in Italy with company number and VAT number 08829360968. **The Netherlands:** Morgan Stanley Investment Management, Rembrandt Tower, 11th Floor Amstelplein 1 1096HA, Netherlands. Telephone: 31 2-0462-1300. Morgan Stanley Investment Management is a branch office of Morgan Stanley Investment Management Limited. Morgan Stanley Investment Management Limited is authorised and regulated by the Financial Conduct Authority in the United Kingdom. **Switzerland:** Morgan Stanley & Co. International plc, London, Zurich Branch Authorised and regulated by the Eidgenössische Finanzmarktaufsicht ("FINMA"). Registered with the Register of Commerce Zurich CHE-115.415.770. Registered Office: Beethovenstrasse 33, 8002 Zurich, Switzerland, Telephone +41 (0) 44 588 1000. Facsimile Fax: +41(0) 44 588 1074.

Australia: This publication is disseminated in Australia by Morgan Stanley Investment Management (Australia) Pty Limited ACN: 122040037, AFSL No. 314182, which accepts responsibility for its contents. This publication, and any access to it, is intended only for "wholesale clients" within the meaning of the Australian Corporations Act. **Hong Kong:** This document has been issued by Morgan Stanley Asia Limited for use in Hong Kong and shall only be made available to "professional investors" as defined under the Securities and Futures Ordinance of Hong Kong (Cap 571). The contents of this document have not been reviewed nor approved by any regulatory authority including the Securities and Futures Commission in Hong Kong. Accordingly, save where an exemption is available under the relevant law, this document shall not be issued, circulated, distributed, directed at, or made available to, the public in Hong Kong. **Singapore:** This document should not be considered to be the subject of an invitation for subscription or purchase, whether directly or indirectly, to the public or any member of the public in Singapore other than (i) to an institutional investor under section 304 of the Securities and Futures Act, Chapter 289 of Singapore ("SFA"), (ii) to a "relevant person" (which includes an accredited investor) pursuant to section 305 of the SFA, and such distribution is in accordance with the conditions specified in section 305 of the SFA; or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA. In particular, for investment funds that are not authorized or recognized by the MAS, units in such funds are not allowed to be offered to the retail public; any written material issued to persons as aforementioned in connection with an offer is not a prospectus as defined in the SFA and, accordingly, statutory liability under the SFA in relation to the content of prospectuses does not apply, and investors should consider carefully whether the investment is suitable for them. This material has not been reviewed by the Monetary Authority of Singapore.

IMPORTANT INFORMATION

EMEA: This marketing communication has been issued by Morgan Stanley Investment Management (Ireland) Limited. Registered Office: The Observatory, 7-11 Sir John Rogerson's, Quay, Dublin 2, Ireland. Registered in Ireland under company number 616662. Authorised and regulated by Central Bank of Ireland. ("MSIM Ireland").

This document contains information relating to the sub-fund ("Fund") of Morgan Stanley Investment Funds, a Luxembourg domiciled Société d'Investissement à Capital Variable. Morgan Stanley Investment Funds (the "Company") is registered in the Grand Duchy of Luxembourg as an undertaking for collective investment pursuant to Part 1 of the Law of 17th December 2010, as amended. The Company is an Undertaking for Collective Investment in Transferable Securities ("UCITS").

Applications for shares in the Fund should not be made without first consulting the current Prospectus, Key Investor Information Document ("KIID"), Annual Report and Semi-Annual Report ("Offering Documents"), or other documents available in your local jurisdiction which is available free of charge from the Registered Office: European Bank and Business Centre, 6B route de Trèves, L-2633 Senningerberg, R.C.S. Luxemburg B 29 192. In addition, all Italian investors should refer to the 'Extended Application Form', and all Hong Kong investors should refer to the 'Additional Information for Hong Kong Investors' section, outlined within the Prospectus. Copies of the Prospectus, KIID, the Articles of Incorporation and the annual and semi-annual reports, in German, and further information can be obtained free of charge from the representative in Switzerland. The representative in Switzerland is Carnegie Fund Services S.A., 11, rue du Général-Dufour, 1204 Geneva. The paying agent in Switzerland is Banque Cantonale de Genève, 17, quai de l'Ile, 1204 Geneva. The document has been prepared solely for informational purposes and does not constitute an offer or a recommendation to buy or sell any particular security or to adopt any specific investment strategy.

Any index referred to herein is the intellectual property (including registered trademarks) of the applicable licensor. Any product based on an index is in no way sponsored, endorsed, sold or promoted by the applicable licensor and it shall not have any liability with respect thereto.

This communication has been prepared solely for informational purposes and does not constitute an offer or a recommendation to buy or sell any particular security or to adopt any specific investment strategy.

All investments involve risks, including the possible loss of principal. The material contained herein has not been based on a consideration of any individual client circumstances and is not investment advice, nor should it be construed in any way as tax, accounting, legal or regulatory advice. To that end, investors should seek independent legal and financial advice, including advice as to tax consequences, before making any investment decision.

The views and opinions expressed are those of the portfolio management team at the time of writing/of this presentation and are subject to change at any time due to market, economic, or other conditions, and may not necessarily come to pass. These comments are not representative of the opinions and views of the firm as a whole.

The information contained in this communication is not a research recommendation or 'investment research' and is classified as a 'Marketing Communication' in accordance with the applicable European regulation or Swiss regulation. This means that this marketing communication (a) has not been prepared in accordance with legal requirements designed to promote the independence of investment research (b) is not subject to any prohibition on dealing ahead of the dissemination of investment research.

MSIM Ireland has not authorised financial intermediaries to use and to distribute this document, unless such use and distribution is made in accordance with applicable law and regulation. MSIM Ireland shall not be liable for, and accepts no liability for, the use or misuse of this document by any such financial intermediary. If you are a distributor of the Morgan

Stanley Investment Funds, some or all of the funds or shares in individual funds may be available for distribution. Please refer to your sub-distribution agreement for these details before forwarding fund information to your clients.

The whole or any part of this work may not be reproduced, copied or transmitted or any of its contents disclosed to third parties without MSIM Ireland's express written consent.

All information contained herein is proprietary and is protected under copyright law.

This document may be translated into other languages. Where such a translation is made this English version remains definitive. If there are any discrepancies between the English version and any version of this document in another language, the English version shall prevail.