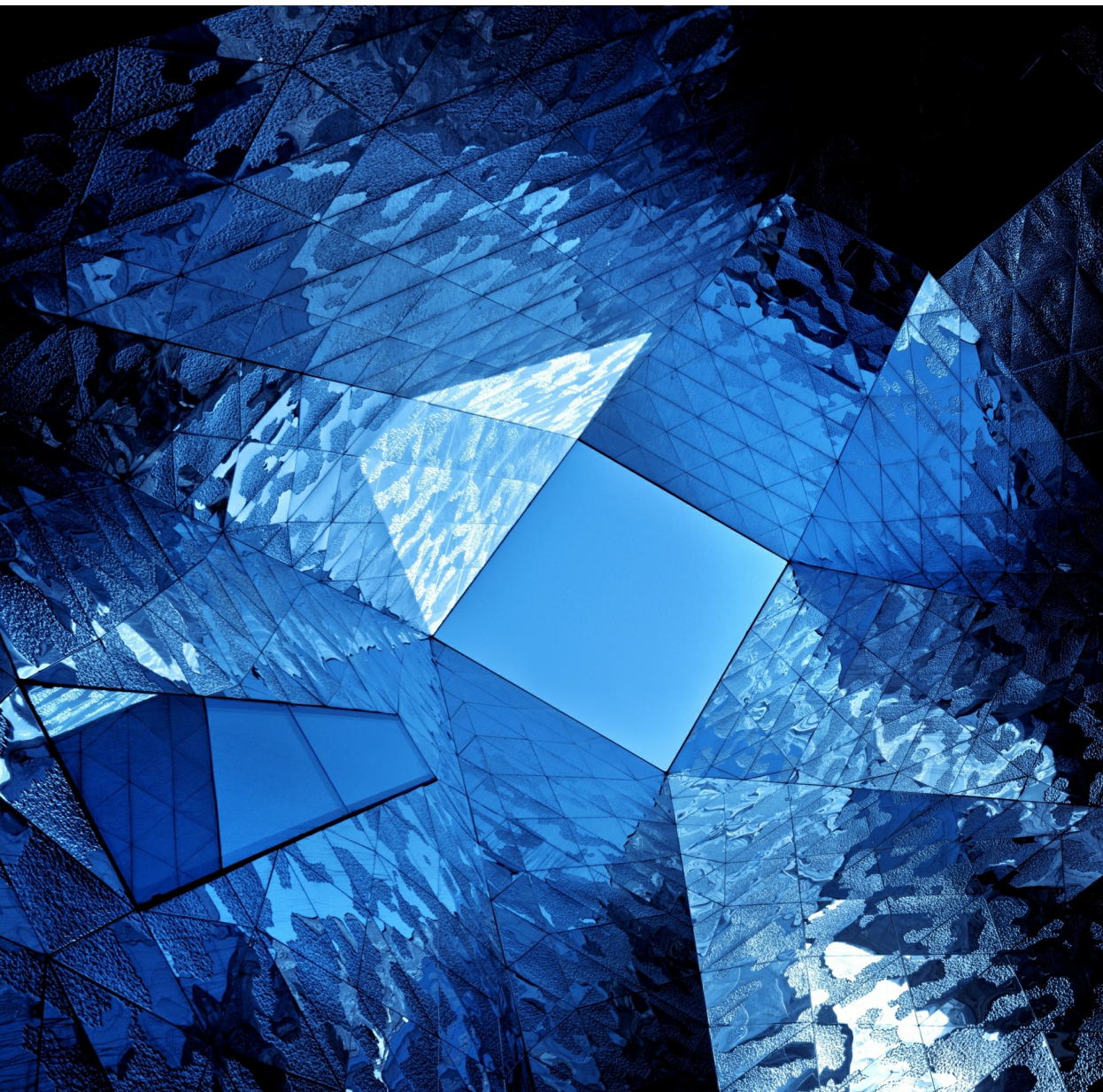


Morgan Stanley

INVESTMENT MANAGEMENT

Morgan Stanley Investment Funds (MS INVF)

# Global High Yield Bond Fund



# An Actively Managed Approach to High-Yield Investing with a Focus on Compounding the Benefits of Middle Market Issuers

The MS INVF Global High Yield Fund uses an active, value oriented approach that seeks to maximize total returns from income and price appreciation by investing in a globally diversified portfolio of debt issued by corporations and nongovernment issuers. The fund has a special focus on middle market credits, which the team defines as companies with \$150 million to \$1 billion of total bonds outstanding. To help achieve this objective, the fund employs a bottom-up, credit-intensive approach that looks for relative value opportunities, integrated with top-down macroeconomic analysis.

Morgan Stanley Investment Management's Global High Yield portfolio management team is well placed to maximise the opportunities in the high-yield market through active management of the portfolio. With long experience in investing in high-yield bonds, the fund managers have a proven ability to generate attractive returns. Richard Lindquist, Global Head of High-Yield at Morgan Stanley Investment Management, has over 36 years investment experience in the high-yield sector. He is complemented by Leon Grenyer, who has 22 years of experience in the European high-yield market. Richard and Leon are supported by a large and diverse team of fundamental analysts located in three continents to aid them in security selection.

## An Active, Global Approach

We believe that an actively managed approach to high-yield investing can help uncover the most valuable opportunities within the sector.

Annual default experience in the high-yield universe has historically been concentrated in a few different sectors of the market each year, highlighting the importance of an active approach and a deep understanding of the risk factors driving each part of the high-yield market. Our globally located portfolio managers optimise the geographic spread and broad sector positioning of the portfolio by combining a top-down macroeconomic assessment with market specific valuation analysis.

The Fund invests in issuers across the U.S., Europe, and in Asia, recognizing that the high-yield universe is heavily represented by the U.S. The team's strategy combines what we consider to be a unique approach to investing in U.S. middle-market credits, with \$150 million to \$1 billion of total bonds outstanding, with a focus on larger, higher-quality issuers in Europe and in Asia.

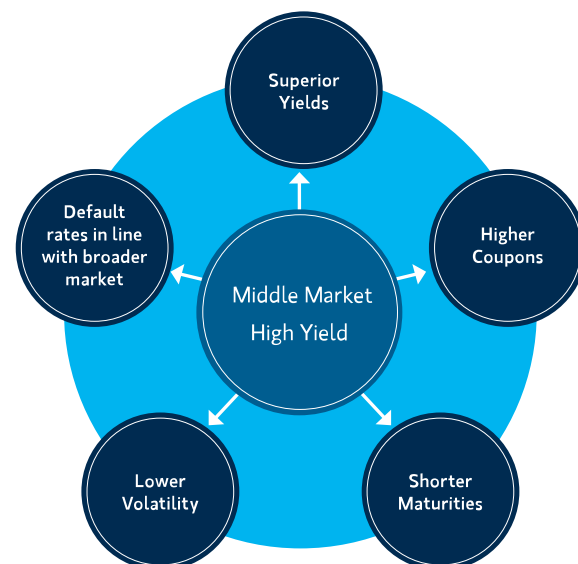
## An Emphasis on Middle Market Issuers

We believe that a high-yield portfolio focused on middle market issuers can potentially offer greater returns, due to the characteristics of these borrowers. This belief is based on our proprietary research that demonstrates that middle market high-yield bonds can offer a significant yield advantage relative to the broader market, have less sensitivity to interest rates, and demonstrate lower volatility than larger issues.

Middle market issuers generally receive less scrutiny from market participants including credit rating agencies, underwriters and asset managers. The team believes one of the most attractive features of middle market bonds is derived from an investment manager's ability to use diligent fundamental research to identify issuers with the strongest credit metrics and then look to benefit from the additional yield they can provide.

We typically allocate up to 80-85% of U.S. high-yield exposure to middle market issuers, in order to capitalise on the potential benefits of these securities.<sup>1</sup>

## Characteristics of Middle Market Issuers:



<sup>1</sup> Allocations are at the discretion of the Portfolio Manager and are subject to change without notice.

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 EXPERIENCE

Richard Lindquist, Managing Director	37 years
Leon Grenyer, Managing Director	23 years
Jack Cimarosa, Executive Director	14 years
Sarah Harrison, Vice President	10 years

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

## Differentiators

## 1. Global Approach

Our global approach allows access to greater liquidity in the broader market, and allows exposure to different economic trajectories across the world.

## 2. Strong Track Record

The Fund has a track record of outperformance in different market conditions.

## 3. Robust Bottom-up Analysis

We seek to identify securities with the potential to provide a superior total return over the entire market cycle, not just for yield generation.

## 4. Well Resourced Team

The broader Morgan Stanley network provides significant resources to inform investment analysis and decision making.

## 5. Disciplined, Value-Driven Process

We utilise a bottom-up approach to value investing, complemented by comprehensive top-down analysis.

## MS INV Global High Yield Bond Fund

Class Z (% net of fees) Performance of 100 USD Invested Since Inception (18 November 2011)



## 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 Z Shares	-4.61	9.79	12.67	-2.70	-1.97
Bloomberg Barclays Global High Yield - Corporate Index	-3.47	10.29	13.99	-4.94	0.20

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](http://www.morganstanley.com/im) to see the latest performance returns for the fund's other share classes.

## Share Class Z Risk and Reward Profile



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 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 fund's ability to buy or sell securities.
- Investment in Fixed Income Securities via the China Interbank Bond Market may also entail additional risks, such as counterparty and liquidity risk.
- 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

**High-yield bonds** have a credit rating that indicates a higher risk of credit default than investment grade-bonds. Fundamental analysis is the analysis of overall economic, industry and company metrics.

## INDEX INFORMATION

The **Bloomberg Barclays Global High Yield Index** is a multi-currency flagship measure of the global high yield debt market. The index represents the union of the US High Yield, the Pan-European High Yield, and Emerging Markets (EM) Hard Currency High Yield Indices. The high yield and emerging markets sub-components are mutually exclusive.

## 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-115415770. 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. Luxembourg 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'Île, 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.

**Citywire:** Source & Copyright: Citywire – Morgan Stanley are GOLD rated

in the BONDS – GLOBAL HIGH YIELD Sector by Citywire for their rolling risk adjusted performance, across the sector, over the period 30/06/2011 – 30/06/2018. Citywire information is proprietary and confidential to Citywire Financial Publishers Ltd ("Citywire"), may not be copied and Citywire excludes any liability arising out of its use.