

Morgan Stanley Investment Funds

Global Convertible Bond Fund

MARKETING COMMUNICATION | HIGH YIELD TEAM | MONTHLY COMMENTARY | 30 JUNE 2022

Important information

- The Fund invests primarily in convertible bonds issued by companies organised or operating in either the developed or emerging markets which will be denominated in global currencies.
- Investment involves risks. Key risks for this fund include High Yield Securities Risk, Credit Risk, Interest Rate Risk, Exchange Rate Risk, Downgrading Risk, Emerging Market Currency Risk, Derivatives Risk, Unrated Securities Risk and Risk of Exposure to the Euro and Eurozone.
- There is a risk that you may potentially lose your entire investment in this Fund.
- The investment decision is yours but you should not invest unless the intermediary who sells it to you has advised you that it is suitable for you and has explained why, including how buying it would be consistent with your investment objectives. You should not make any investment decision solely based on this document. Please read the relevant offering document carefully for further fund details including risk factors.
- The Fund may use derivatives for investment or efficient portfolio management (including hedging) purposes which may expose to higher counterparty, liquidity and valuation risks. The Fund may suffer losses from its derivatives usage.

Performance Review

In the one month period up until 30 June 2022, the Fund's A shares returned -4.25% (net of fees)¹, while the benchmark returned -4.95%.

For the third consecutive month, the highest beta sectors performed the worst for the Fund in June, led down by technology and consumer discretionary (detracting -183 basis points combined). No sectors provided positive return for the Fund.

Market Review

Global convertibles fell for the eighth consecutive month in June as the dual threats of rising inflation and looming recession spooked global markets. As the convertible market has steadily shifted downward, bonds are now sitting on bond floors and accordingly asset class performance in June was more in line with credit than equities in a risk-off month, as the MSCI World Index of global equities fell 8.66% and the Bloomberg Aggregate Global Corporate Index fell 3.63%.

Portfolio Activity

We continued to maintain our cautious view, positioning the Fund with lower delta (i.e., lower sensitivity to underlying stock prices) and less exposure to higher risk growth names. We are focused on below par securities with solid bond floors to provide some supporting yield to maturity and to optimize downside protection.

Strategy and Outlook

Bonds are now far from their equity strike prices, but the market maintains some equity delta due to the high volatility nature of the underlying stocks and the fact that much of the market was issued at recent highs and still has duration to maturity. Longer term, the silver lining for the convertibles market will be in the expectation of rising supply in a higher rate environment as borrowers look to use optionality to keep borrowing costs down. These eventual new deals will help bring equity premiums back in line and rebalance the market back to its midway position between equity and credit risk.

For further information, please contact your Morgan Stanley Investment Management representative.

¹ Source: Morgan Stanley Investment Management Limited. Data as of 30 June 2022.

FUND FACTS

Launch date
17 July 2002

Base currency
U.S. dollars

Index
Blended Benchmark

Calendar Year Returns (%)

Past performance is not a reliable indicator of future results.

	YTD	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Class A Shares	-14.89	3.37	21.69	14.26	-4.14	5.54	1.26	-0.02	3.18	13.75	8.27
Blended Benchmark	-17.82	-1.11	22.84	13.10	-3.01	6.00	1.59	3.83	4.73	13.03	11.26

Investment involves risks. All performance data is calculated NAV to NAV, net of fees, and assume the reinvestment of all dividends and income. The sources for all performance and Index data is Morgan Stanley Investment Management. Please refer to the relevant offering documents for fund details, including risk factors.

INDEX INFORMATION

The Blended Benchmark 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 **Refinitiv Convertible Global Focus (USD Hedged) Index** thereafter. Effective 21 February 2020, the **Thomson Reuters Convertible Global Focus (USD Hedged) Index** was renamed to **Refinitiv Convertible Global Focus (USD Hedged) Index**.

The **Refinitiv 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.

The **MSCI World Net Index** is a free float adjusted market capitalization weighted index that is designed to measure the global equity market performance of developed markets. The term "free float" represents the portion of shares outstanding that are deemed to be available for purchase in the public equity markets by investors. The performance of the Index is listed in U.S. dollars and assumes reinvestment of net dividends. The index is unmanaged and does not include any expenses, fees or sales charges. It is not possible to invest directly in an index.

The **Bloomberg Global Aggregate Corporate Index** is the corporate component of the Barclays Global Aggregate index, which provides a broad-based measure of the global investment-grade fixed income markets.

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