

A Sub-Fund of Morgan Stanley Investment Funds

# Global Convertible Bond Fund

**HIGH YIELD TEAM**

## 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 November 2025, the Fund's A shares returned -1.50% (net of fees)<sup>1</sup>, while the benchmark returned -1.90%.

Information technology and health care were the Fund's top-performing sectors relative to the benchmark in November. Relative outperformance in information technology was driven by favorable security selection and was led by an overweight position in a U.S.-based supplier of optical and photonic products. The company announced its fiscal year first quarter earnings, which beat expectations. The company also released its second quarter profit outlook, which largely beat estimates. In health care, relative outperformance was driven by sound security selection and an overweight position. The primary individual contributor was a lack of exposure to a provider of artificial intelligence (AI)-enabled precision medical solutions. The company reported third quarter earnings that missed expectations.

Financials and utilities were the Fund's worst-performing sectors relative to the benchmark during the month. Relative underperformance in financials was driven by adverse security selection and a modest overweight position. The primary individual detriment was an off-benchmark position in a digital asset and data center infrastructure company. The company issued new bonds at the end of October, which performed poorly as cryptocurrencies fell during November. The company's equity and bonds also came under pressure due to broader valuation concerns within the AI ecosystem. In utilities, relative underperformance was driven by challenging credit selection and an underweight position. The primary individual detractor was a lack of exposure to a natural gas and electricity provider in the mid-Atlantic region of the United States.

## Market Review

Performance in the global convertible bond market was challenged in November. Negative performance was largely driven by the risk-off sentiment in cryptocurrencies and concerns about an AI bubble, which are two predominant themes in the asset class. Ultimately, global convertible bonds underperformed both global equities and global bonds during the month. The FTSE Global Focus Convertible (USD Hedged) Index returned -1.90% in November, while the MSCI All Country World Index was down -0.01% and the Bloomberg Global Aggregate Credit Index (USD Hedged) rose 0.37%. The primary market continued its brisk pace, with \$15.8 billion issued during the month and U.S. issuers accounting for 90% of the total. Year-to-date supply ended the month at \$153.9 billion, which puts the market on track to potentially surpass the \$159 billion that was issued in 2020.<sup>2</sup>

## Strategy and Outlook

We continue to be constructive on the fundamentals of the global convertible bond market as we enter the final month of the year. Peak risk and volatility emanating from evolving trade policy are likely behind us, strong second quarter U.S. economic growth metrics released in the third quarter exceeded expectations, corporate earnings were largely resilient, and a weakened lower-end consumer in the U.S. showed signs of stabilization. However, third quarter indicators, including a downshift in job growth in the U.S., a mixed bag of industry and consumer surveys, and an acceleration in consumer prices, are among reasons for continued caution. Ultimately, moving forward we expect a backdrop of much slower but positive growth, coupled with stickier inflation. Convertible bonds have been able to roughly maintain their asymmetric profiles through all of this. Deltas (a measure of convertible securities'

<sup>1</sup> Source: Morgan Stanley Investment Management. Data as of 30 November 2025.

<sup>2</sup> Source: Bank of America. Data as of 30 November 2025.

sensitivity to underlying stock price movements) retreated from the higher end of their historical range during November, but still sit comfortably above 50%. While these higher deltas are largely a byproduct of strong equity markets, we believe caution is warranted as the asset class has become more equity-like. However, we believe there remains opportunity for a well-resourced investment team to find balanced convertible bonds with strong bond floors.

After a lackluster start to the year, new issuance volumes have been very strong since May, as a combination of relatively high interest rates and strong equity markets has continued to bring issuers to the market. Corporations continue to refinance existing debt in the convertible bond market given the interest expense savings that can be realized. We expect refinance-related issuance to remain high for the rest of the year, as there is still a pending maturity wall in the asset class, with approximately \$55 billion in bonds maturing by the end of 2026.<sup>2</sup> Corporations have also been tapping the market for other reasons, including general corporate purposes, which accounts for approximately 50% of issuance year-to-date.<sup>2</sup> Among these corporations are crypto-related issuers, who continue to become a larger part of the asset class. While some of these issuers are using proceeds to support operations, like building out data centers, others are using proceeds to purchase cryptocurrencies for balance sheet purposes. As issuers continue to tap the convertible bond market for general corporate purposes, it is even more important to understand the underlying fundamentals of these businesses and how the debt proceeds will be used.

In conclusion, we remain in an uncertain environment, but one where we assess the risk of recession over the near term to be low. Geopolitical tensions are perhaps more heightened than just three months ago, particularly between NATO-member countries and Russia, and hopes for an ultimate resolution in the Russia-Ukraine war in the near term appear to have all but vanished. Meanwhile, legislative dysfunction over differing fiscal priorities has stymied the passage of long-term government funding bills in the U.S. and in several European countries. Amid an uncertain and potentially volatile backdrop, we will continue to spend our time concentrating on what we do best — focusing on bottom-up fundamental analysis with a discerning eye on convertible bond technicals, as we seek to generate positive risk-adjusted alpha for our clients.

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

## Fund Facts

Launch date	17 July 2002
Base currency	U.S. dollars
Benchmark	Custom- Blended Benchmark

## Calendar Year Returns (%)

Past performance is not a reliable indicator of future results.

	YTD	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Class A Shares	11.26	5.35	11.97	-12.95	3.37	21.69	14.26	-4.14	5.54	1.26	-0.02
Blended Benchmark	14.55	8.62	9.84	-16.00	-1.11	22.84	13.10	-3.01	6.00	1.59	3.83

**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 ('MSIM Ltd'). Please refer to the relevant offering documents for fund details, including risk factors.**

Applications for shares in the Sub-Fund should not be made without first consulting the current Prospectus and the Key Information Document ("KID") or Key Investor Information Document ("KIID"), which are available in English and in the language of countries authorized for fund distribution and is available online at [Morgan Stanley Investment Funds Webpages](#) or free of charge from the Registered Office at European Bank and Business Centre, 6B route de Trèves, L-2633 Senningerberg, R.C.S. Luxembourg B 29 192.

The summary of investor rights is available in the aforementioned languages and website location under the General Literature section.

Information in relation to sustainability aspects of the Fund is available in English online at: [Sustainable Finance Disclosure Regulation](#).

If the management company of the relevant Fund decides to terminate its arrangement for marketing that Fund in any EEA country where it is registered for sale, it will do so in accordance with the UCITS rules.

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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

<sup>2</sup> Source: Bank of America. Data as of 30 November 2025.

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 use of leverage increases risks, such that a relatively small movement in the value of an investment may result in a disproportionately large movement, unfavourable as well as favourable, in the value of that investment and, in turn, the value of the Fund. Investment in the Fund concerns the acquisition of units or shares in a fund, and not in a given underlying asset such as building or shares of a company, as these are only the underlying assets owned.

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## INDEX INFORMATION

The Blended Benchmark performance shown is calculated using the **ICE BofA G300 Global Convertible Index Local Currency** to 31 October 2005, the **ICE BofA 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**. Effective 30th June 2024, the **Refinitiv Convertible Global Focus (USD Hedged) Index** was renamed to the **FTSE Global Focus Convertible (USD Hedged) Index**.

The **FTSE Convertible Global Focus USD Hedged Index (Index)** formerly known as **Refinitiv Convertible Global Focus USD Hedged Index** is derived from the FTSE Convertible Global Index (Global Index) using Regional Market Capitalization, Percentage Price, and Premium criteria. It aims to represent a sub-set of the Convertible market by selecting a sub-set of constituents from the Global Index with a common set of defined characteristics representing issues with what is termed a "balanced" profile. The Index is a market weighted index with a minimum size for

inclusion of \$500 million (US), €375 million (Europe), 22 billion Yen (Japan), \$275 million (Asia ex-Japan), and \$275 million (Other) of Convertible Bonds with an Equity Link.

**ICE BofA 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 BofA 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 indexes are unmanaged and do not include any expenses, fees, or sales charges. It is not possible to invest directly in an index.

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A blended benchmark has been used because there has been a change in benchmark during the reporting period shown.

The **MSCI All Country World Index (ACWI)** is a free float-adjusted market capitalization weighted index designed to measure the equity market performance of developed and emerging 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 Credit Index** is the credit component of the Bloomberg Global Aggregate index, which provides a broad-based measure of the global investment-grade fixed income market.

The **Euro Stoxx 50 Index** is a market capitalization-weighted stock index of 50 large, blue-chip European companies operating within Eurozone nations. The universe for selection is found within the 18 Dow Jones EURO STOXX Supersector indexes, from which members are ranked by size and placed on a selection list.

The **Nikkei 225 Index** is a price-weighted index of Japan's top 225 blue-chip companies on the Tokyo Stock Exchange.

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