Morgan Stanley Investment Funds

Calvert Sustainable Global Green Bond Fund

CALVERT RESEARCH AND MANAGEMENT TEAM

Performance Review

In the one month period ending 31 January 2024, the Fund's Z shares returned -1.79% (net of fees)[1], while the benchmark returned -1.70%.

Overall, the duration positioning of the Fund had a small negative impact on performance during the month.

The Fund's positioning in developed markets rates (British pound, euro, Australian dollar, New Zealand dollar and Canadian dollar) had a negative impact on performance. Underperformance was partially offset by the underweight to U.S. rates as yields rose at the longer end of the curve.

The contribution from emerging markets (EM) local rates had a negligible impact on performance.

Within euro area spreads, the allocation to Italian BTPs was a detractor as spreads versus German bunds tightened.

The allocation to investment grade corporates (preference for euro over U.S. dollar credit, with a bias to financials, focused on significantly important institutions) contributed given tighter spreads in the U.S. and Europe.

Security selection within high yield corporates (predominately financials) detracted from performance.

Exposure to government-related bonds had a small positive impact on performance in January.

Within securitised assets, the allocation to asset-backed securities (ABS) and agency residential mortgage-backed securities (RMBS) was positive.

Portfolio Activity

The Fund has 6.26 years versus the index's 6.78 years of interest rate duration.

Within developed markets rates, most of the duration change was made in U.S. and euro rates.

We increased exposure to ABS in January.

Strategy and Outlook

Market Review and Outlook

January was a month of two halves in developed market fixed income. In the eurozone, European Central Bank (ECB) Governing Council members in Davos repeatedly stressed the extent to which inflation is still above target in attempts to pour cold water on hopes of a rate cut by spring. Towards the end of the month, however, policy communication turned more dovish as President Lagarde acknowledged softer-than-expected inflation prints and a weakening labour market at the January ECB policy meeting. Even her traditionally hawkish colleagues acknowledged progress on prices and hinted a willingness to consider earlier cuts, depending on the data. In the U.S., a steady grind higher in yields reversed as investors became more convinced the U.S. Federal Reserve (Fed) would ease policy aggressively over the next two years, even as a March cut was seen as less likely. Finally, at the end of January, worries about the health of U.S. regional banks led to a risk-off move in markets that pushed yields even lower. After a round trip, U.S. Treasury yields ended January 2 basis points (bps) higher than at the end of December, while German bunds (+15 bps) and U.K. gilts (+24 bps) lagged; the U.S. and eurozone yield curves were slightly steeper. On foreign exchange, the dollar continued to appreciate against peers over the course of the month. Sterling was another strong performer as December inflation posted a large upside surprise and yields on gilts climbed.

The beginning of the developed market easing cycle now appears in sight, with central bank communication – especially at the ECB – becoming more dovish. That said, with data remaining generally resilient, it remains to be seen how quickly and how far central banks feel they need to cut rates. We continue to see opportunities in several cross-market rates trades, with Canadian and U.S. rates expected to converge further based on valuations and still-sticky inflation in the former. With the market now focused on likely normalisation by the Bank of Japan in the first half of this year, Japanese duration looks set to underperform, and indeed failed to follow the rally in other developed markets in late January.

In January, euro investment grade spreads marginally outperformed U.S. investment grade spreads, as credit market spreads broadly tightened. Market sentiment in the month was driven by several factors. Firstly, the positive credit market backdrop was maintained by the growing expectations that central bank monetary policy had shifted to easing financial conditions/lower interest rates with the focus pivoting from inflation concerns to growth. Secondly, there was no further escalation in geopolitical concerns, with news in the Middle East/Red Sea viewed as a regional and non-systemic event. Thirdly, merger and acquisition (M&A) rumours,

[1] Source: Morgan Stanley Investment Management Limited. Data as of 31 January 2024.

unfavourable legal rulings and earnings revisions created single-name credit volatility. Finally, technicals were supportive, driven by strong inflows into investment grade credit alongside the large new issue pipeline. Initially this caused some volatility, but supply was matched with strong demand, as evidenced by falling new issue premiums, which supported the move tighter in credit spreads. The U.S. and global high yield markets recorded a sluggish return in January as performance sputtered. January was characterised by a surge in primary issuance, continued retail flows and several high-profile liability management exercises. The lower quality segments of the market generally underperformed in January.

Our base case remains constructive for credit against an improving macro backdrop following the central bank pivot from concern about inflation to concern about growth, and the positive momentum driven by inflows into the asset class. Considering valuation, we see a market that is fairly priced but cheap relative to other markets, and hence we see carry as an attractive return opportunity. But given the uncertain medium-term fundamental backdrop, we have less confidence in expected spread tightening. In high yield, our outlook remains relatively cautious given the valuations that, on average, nearly fully reflect a perfectly soft economic landing. The silver lining is the historically high all-in yield that supports a positive return for high yield investors in 2024, even in our bear case scenario analysis.

Securitised credit spreads continued to tighten in January as demand remained very strong and new issue deals were consistently oversubscribed. Consumer credit delinquencies continue to rise, especially for lower-income, lower-credit-score borrowers, but overall delinquencies remain non-threatening at current levels. European securitised market activity remained slow in January, although we have seen an uptick in U.K. RMBS issuance. European securitised spreads continue to trade tighter than comparable U.S. securitised spreads due to lack of supply.

After several months of spread tightening across securitised products, we expect spreads to stabilise at current levels in February. Overall demand levels remain strong, but we believe it will be challenging to push spreads much tighter from current levels.

Performance was mixed for EM debt for the first month of 2024. The U.S. dollar strengthened and most EM currencies weakened during the period while sovereign spreads widened and corporate spreads tightened. Several EM central banks in Latin America (Brazil, Colombia and Chile) and in Europe, the Middle East and Africa (Armenia and Hungary) cut rates as inflation continued to recede.

The Fed steered away from the idea of a rate cut in the next few months, but a tightening cycle is still on the horizon. We believe EM assets are positioned to be a favourable asset class this year as valuations remain attractive and as developed markets start to cut rates, which will likely support a favourable environment for emerging markets to continue on their rate cutting path.

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

Fund Facts

Launch date	10 August 2022
Base currency	U.S. dollars
Benchmark	ICE BofA Green Bond Index

Calendar Year Returns (%)

Past performance is not a reliable indicator of future results.

	YTD	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Class Z Shares	-1.79	10.46	--	--	--	--	--	--	--	--	--
ICE BofA Green Bond Index	-1.70	10.43	--	--	--	--	--	--	--	--	--

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. **Please visit our website 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 is likely to decrease if interest rates rise and vice versa.
- 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.
- Sustainability factors can pose risks to investments, for example: impact asset values, increased operational costs.
- There may be an insufficient number of buyers or sellers which may affect the funds ability to buy or sell securities.
- Investing in emerging markets brings increased risk through less developed political, legal and operational systems.
- The value of financial derivative instruments is highly sensitive and may result in losses in excess of the amount invested by the Fund.
- 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.

Please refer to the Prospectus for full risk disclosures. All data as of 31 January 2024 and subject to change daily.

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INDEX INFORMATION

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N°035-2021-SMV/02 (the "***Reglamento 2***"), and are being offered to institutional investors only (as defined in article 8 of the Securities Market Law) under the special public offering directed exclusively to the institutional investors under the ***Reglamento 1 and Reglamento 2***, then the interests in the Fund will be registered in the Section ***"Del Mercado de Inversionistas Institucionales"*** of the Securities Market Public Registry (***Registro Público del Mercado de Valores***) maintained by the ***Superintendencia del Mercado de Valores (SMV),*** and the offering of the Fund interests in Peru only to institutional investors will be subject to the supervision of the SMV, as well as any transfers of the Fund interests shall be subject to the limitations contained in the Securities Market Law and the regulations issued thereunder mentioned before, under which the Fund interests may only be transferred between institutional investors under Article 27 of the ***Reglamento 1 and Reglamento 2***. If neither the Fund nor the interests in the Fund have been and will not be registered in Peru under ***Decreto Legislativo 862*** and under ***Decreto Legislativo 861 referenced above***, nor they will be subject to a public offering directed to institutional investors under the ***Reglamento 1***, and will be offered to institutional investors only (as defined in article 8 of the Securities Market Law) pursuant to a private placement, according to article 5 of the Securities Market Law, the interests in the Fund will not be registered in the Securities Market Public Registry maintained by the ***SMV,*** and the offering of the Fund interests in Peru to institutional investors nor the Fund will be subject to the supervision of the SMV, and any transfers of the Fund interests shall be subject to the limitations contained in the Securities Market Law and the regulations issued thereunder mentioned before, under which the Fund interests may only be transferred between institutional investors. Applications for Fund interests in the sub-fund mentioned herein should not be made without first consulting the current Prospectus, Key Information Document ("KID") or 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.

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