

Morgan Stanley Investment Funds

Emerging Markets Corporate Debt Fund

BROAD MARKETS FIXED INCOME TEAM

Performance Review

In the one month period ending 31 August 2023, the Fund's Z shares returned -0.99% (net of fees)¹, while the benchmark returned -0.44%.

Contributors to Relative Performance

- Overweight to Mongolian metals and mining company Mongolian Mining, following the announcement of its exchange offer.
- Zero weight to Hong Kong-based property company New World Development, due to liquidity concerns.
- Overweight to Peruvian health care company Auna.

Detractors from Relative Performance

- Overweight to Chinese property company Country Garden, which lagged after failing to make coupon payments on two of its dollar bonds, entering the grace period and being downgraded by Moody's.
- Overweight to Chinese property company New Metro Global, which underperformed as both onshore and offshore funding remains tight and sales have weakened since the end of the first quarter.
- Overweight to Mexican telecom company TotalPlay, which underperformed due to liquidity concerns as the proportion of the company's secured debt has continued increasing. Despite these liquidity concerns, we believe the company is able to cover 2023 maturities through onshore funding and committed revolvers.

Market Review

Emerging markets debt (EMD) sold off across all segments of the asset class for the month. Minutes from the July Federal Reserve (Fed) meeting indicated that more rate hikes could be necessary in the future. Brazil cut rates by a larger-than-expected 50 basis points, following the lead of Chile and a handful of other Latin American countries over the past few months. In contrast, other emerging markets countries suffered currency weakness and high inflation during the month. Argentina held its primary presidential election and Javier Milei, a far-right libertarian economist, took the lead, which would be a promising regime change for the country. Country Garden, one of the largest private developers in China, failed to make coupon payments on two of its dollar-bond securities. This highlights the continuing issues with the Chinese property market. Investor flows reversed course and turned to notable outflows for both local and hard currency funds.

The main EMD indexes produced negative performance during the month. The corporate segment, the J.P. Morgan CEMBI Broad Diversified Index, was down -0.44%. The U.S. dollar-denominated sovereign index, the J.P. Morgan EMBI Global Diversified Index, was down -1.50%. Finally, the local segment, the J.P. Morgan Government Bond Index-Emerging Markets Global Diversified, was down -2.69%. Emerging markets currencies broadly sold off and both sovereign and corporate credit spreads widened.

Portfolio Activity

During the month, we added exposure to Greek financial company Alpha Bank and Brazilian metals and mining company Samarco, while reducing Singaporean financial company GLP PTE and Mexican cement company Cemex.

Strategy and Outlook

August was a disappointing month for the asset class given broad U.S. dollar strength and rising yields in most parts of the world. The Fed has indicated a further rate hike may be needed in the future, but moderation and an end to the rate-hiking cycle is still in sight. Many emerging markets countries continue to be better positioned to cut rates ahead of developed markets, as inflation decreases and growth rebounds. Growth, inflation and policy are diverse across the emerging markets universe, and this divergence is growing in some areas. The market will place emphasis on country- and credit-level analysis in order to uncover value.

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

Fund Facts

Launch date	07 March 2011
Base currency	U.S. dollars
Benchmark	JPM Corporate Emerging Markets Bond Index-Broad Diversified Index

¹ Source: Morgan Stanley Investment Management Limited. Data as of 31 August 2023.

Calendar Year Returns (%)

Past performance is not a reliable indicator of future results.

	YTD	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Class Z Shares	3.50	-13.06	-0.02	5.00	13.22	-4.52	10.67	10.77	-0.26	4.93	-1.42
JPM Corporate Emerging Markets Bond Index-Broad Diversified Index	4.19	-12.26	0.91	7.13	13.09	-1.65	7.96	9.65	1.30	4.96	-0.60

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 from emerging markets 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.
- 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 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.

Please refer to the Prospectus for full risk disclosures. All data as of 31 August 2023 and subject to change daily.

Applications for shares in the 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 official language of your local jurisdiction at morganstanleyinvestmentfunds.com or free of charge from the Registered Office of Morgan Stanley Investment Funds, European Bank and Business Centre, 6B route de Trèves, L-2633 Senningerberg, R.C.S. Luxembourg B 29 192.

Information in relation to sustainability aspects of the Fund and the summary of investor rights is available at the aforementioned website.

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INDEX INFORMATION

J.P. Morgan CEMBI Broad Diversified Index a global, liquid corporate emerging-markets benchmark that tracks

U.S.-denominated corporate bonds issued by emerging-markets entities.

J.P. Morgan GBI-EM Global Diversified Index: a comprehensive global local emerging markets index that consists of regularly traded, liquid fixed-rate, domestic currency government bonds and includes only the countries which give access to their capital market to foreign investors (excludes China, India). The index is market capitalization weighted, with a cap of 10% to any one country.

J.P. Morgan Emerging Markets Bond Index Global

Diversified tracks total returns for traded external debt instruments in the emerging markets, and is an expanded version of the EMBI+. As with the EMBI+, the EMBI Global includes US dollar-denominated Brady bonds, loans, and Eurobonds with an outstanding face value of at least \$500 million.

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