

Morgan Stanley Investment Funds

Emerging Markets Debt Opportunities Fund

EMERGING MARKETS DEBT TEAM

Performance Review

-MS INV Emerging Markets Debt Opportunities Fund (the Fund) outperformed its benchmark, the J.P. Morgan EMB (JEMB) Hard Currency/Local Currency 50-50 Index, during the month.

-The Fund normally has a structural zero weight to U.S. Treasury duration compared to the benchmark's nearly three years of U.S. duration. The near-zero weight contributed to performance this month.

-On a relative basis, currencies, local rates, and sovereign and corporate credit contributed to performance.

-In Latin America, off-benchmark exposure to Suriname sovereign credit contributed to performance. The bonds continued to rally following a restructuring deal with creditors, which included a new bond and supplemental value recovery instrument tied to oil. An overweight to Peruvian rates helped performance as Peru's central bank cut rates during the month.

-In Asia, an underweight to Thai baht contributed to performance as the currency sold off amid low growth and ongoing debate between Thailand's government and central bank about how to best fuel the economy. Off-benchmark exposure to South Korean local bonds and the Singapore dollar detracted from performance, as the currencies weakened along with many emerging markets (EM) currencies.

Market Review

Performance was mixed for emerging markets debt (EMD) markets for the first month of 2024. At the January meeting of the Federal Open Market Committee, Federal Reserve (Fed) Chairman Powell pushed back on the notion of a rate cut in March. The U.S. dollar (USD) 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, Middle East and Africa (Armenia and Hungary) cut rates, as inflation continued to come down. In Turkey, the central bank hiked rates and President Erdogan made comments suggesting that hawkish policy to control inflation will continue. J.P. Morgan announced that Egypt will be removed from its local currency index at the end of January due to continued illiquidity in the currency market. Meanwhile, the International Monetary Fund disbursed \$4.7 billion to Argentina under an extended fund facility to help support and stabilize the macro economy. Outflows from the asset class continued, with -\$1.9 billion for hard currency funds and -\$0.7 billion for local currency funds during the month.²

As noted, performance was mixed for the main EMD indexes for the month. The J.P. Morgan CEMBI Broad Diversified Index was the only index with positive performance, up 0.59%, as spreads tightened. The USD-denominated sovereign index, the J.P. Morgan EMBI Global Diversified Index, was down -1.02%, as spreads widened. Finally, the local index, the J.P. Morgan Government Bond Index-Emerging Markets Global Diversified, was down -1.52%, as most EM currencies weakened during the month.

Strategy and Outlook

The Fed steered away from the idea of a rate cut in the next few months during its January meeting, but a tightening cycle is still on the horizon. We believe EM assets are a well-positioned asset class this year as valuations remain attractive. Further, once developed markets start to cut rates, this will help create a supportive environment for emerging markets to continue on their rate-cutting path. Local assets, particularly local rates, are the most attractive risk factor as the macro environment starts to shift to a favorable backdrop for local assets. Growth, inflation and policy are quite divergent across the emerging markets universe. We continue to expect markets to place an emphasis on differentiation among countries and credits.

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

Fund Facts

Launch date	25 September 2019
Base currency	U.S. dollars
Benchmark	50% GBI-EM Global Div/25% EMBI Global Div/25% CEMBI Div

² Source: J.P. Morgan. Data as of 31 January 2024.

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 I Shares	1.27	11.15	-8.33	--	--	--	--	--	--	--
50% GBI-EM Global Div/25% EMBI Global Div/25% CEMBI Div	-0.87	11.38	-13.37	--	--	--	--	--	--	--

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 I 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.
- 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 funds ability to buy or sell securities.
- 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 January 2024 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.

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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 relevant UCITS rules.

INDEX INFORMATION

The **J.P. Morgan EMB (JEMB) Hard Currency/Local currency**

50-50 is a blended index consisting of 50% **J.P. Morgan Government Bond Index Emerging Market Global Diversified** (JPM GBI-EM GD), 25% **J.P. Morgan Emerging Markets Bond Index Global Diversified** (JPM EMBIGD), 25% **J.P. Morgan Corporate Emerging Market Bond Index Broad Diversified** (JPM CEMBI BD).

J.P. Morgan Government Bond Index Emerging Market (GBI-EM) Global Diversified is an unmanaged index of local-currency bonds with maturities of more than one year issued by emerging markets governments.

J.P. Morgan Emerging Markets Bond Index Global Diversified is an unmanaged index of USD-denominated bonds with maturities of more than one year issued by emerging markets governments.

J.P. Morgan Corporate Emerging Market Bond Index Broad Diversified is an unmanaged index of USD-denominated emerging market corporate bonds.

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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. Luxembourg B 29 192.

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