

Morgan Stanley Investment Funds

Emerging Markets Domestic Debt Fund

EMERGING MARKETS DEBT TEAM

Performance Review

In the one month period ending 30 April 2024, the Fund's I shares returned -2.82% (net of fees)¹, while the benchmark returned -2.14%.

Contributors to Relative Performance

- Off-benchmark exposure to Egyptian local bonds contributed to performance. Assets continued to rally following the central bank's policy changes in March and the ensuing influx of capital from the International Monetary Fund and UAE.
- An overweight to the Turkish lira contributed to performance. Election results that saw losses for President Erdogan's political party, along with the recent rate hike, indicate that more orthodox monetary policy will likely be put in place.

Detractors from Relative Performance

- An overweight to Czech local rates detracted from performance.
- An overweight to Indonesian rupiah detracted from performance as the currency sold off along with many emerging markets (EM) currencies.

Market Review

April performance was negative for emerging markets debt (EMD), along with most bond markets. U.S. inflation data remained sticky and increased in March, which pushed out expectations for the start of Federal Reserve (Fed) interest rate cuts. Most EM currencies sold off, and the rally in U.S. yields weighed on performance for both the sovereign and corporate credit sectors. Spreads widened for the sovereign index, the J.P. Morgan EMBI Global Diversified Index, due to an outsized one-day move on the last day of April in anticipation of J.P. Morgan adding Venezuela and PDVSA bonds back into the index over a three-month period ending in June. A few EM currency bright spots included the Chilean peso, which strengthened in reaction to a less aggressive rate cut by the central bank and a rally in copper prices (the country's largest export), as well as the Turkish lira, which rallied after a large rate hike at the end of March. The asset class continued to experience outflows overall, but flows to the individual segments of the market were mixed. Hard currency funds saw inflows for the first monthly period in over a year, while the local segment of the market continued to see outflows.²

Performance for the main EMD indexes was negative. The corporate space, as measured by the J.P. Morgan CEMBI Broad Diversified Index, was down -0.88%. The U.S. dollar-denominated sovereign index, the J.P. Morgan EMBI Global Diversified Index, was down -2.08%. Finally, the local segment, the J.P. Morgan Government Bond Index-Emerging Markets Global Diversified, was down -2.14%, with many EM currencies weakening.

Portfolio Activity

During the month, we increased our allocation to Poland and Turkey. We reduced exposure to South Africa and Mexico.

Strategy and Outlook

Emerging markets debt valuations remain compelling, and EM assets are cheap in our view. Real yields in emerging markets are near 10-year highs and inflation continues to come down, leaving room for EM central banks to make additional rate cuts. Improving global growth outlooks, especially in emerging markets, will likely be supportive for EM assets, even as U.S. yields may stay elevated for longer. Local assets, particularly currencies, are an attractive area of the asset class, while sovereign and corporate spreads are broadly tight, offering little additional value. However, higher spread credits — especially found in off-benchmark credits — present interesting investment opportunities. A number of reform stories and dramatic policy U-turns have materialized in just the first couple months of 2024, creating exciting new investment opportunities while expanding the investable EM landscape. Country picking remains crucial for uncovering value, especially as global markets monitor the Fed's next policy move.

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

Fund Facts

Launch date	28 February 2007
Base currency	U.S. dollars
Benchmark	JPM GBI - EM Global Diversified Index

¹ Source: Morgan Stanley Investment Management Limited. Data as of 30 April 2024.

² Source: J.P. Morgan. Data as of 30 April 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	-3.06	14.35	-11.65	-9.18	2.88	13.26	-7.47	14.61	8.00	-16.69	-6.67
JPM GBI - EM Global Diversified Index	-4.21	12.70	-11.69	-8.75	2.69	13.47	-6.21	15.21	9.94	-14.92	-5.72

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 fund may be impacted by movements in the exchange rates between the fund's currency and the currencies of the fund's investments.
- 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 funds 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 30 April 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

JP 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.

The **JP Morgan CEMBI Broad Diversified Index** is a global, liquid corporate emerging-markets benchmark that tracks U.S.-denominated corporate bonds issued by emerging-markets

entities.

The **JP Morgan Emerging Markets Bond Global Index** 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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