Morgan Stanley

INVESTMENT MANAGEMENT

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Morgan Stanley Investment Funds

Emerging Markets Fixed Income Opportunities Fund

MARKETING COMMUNICATION | EMERGING MARKETS DEBT TEAM | MONTHLY COMMENTARY | 30 APRIL 2023

Performance Review

In the one month period ending 30 April 2023, the Fund's Z shares returned 0.11% (net of fees)[1], while the benchmark returned 0.76%.

During the month, the portfolio underperformed the benchmark. Allocations to domestic debt did not have a notable impact on performance, while corporates and hard currency sovereign and quasi-sovereign debt detracted.

Within hard currency sovereign and quasi-sovereign debt, overweights to Romania and Macedonia contributed positively, while the overweight allocations to Sri Lanka and Kenya were the largest detractors.

Within domestic debt, overweights to the Dominican Republic and Serbia were positive, while off-benchmark South Korean local bonds and an overweight to Mexico were negative.

Within corporates, a Mexican telecom company contributed to performance, driven by a rally in bond prices after management achieved their positive free cash flow goal for this quarter, while a Chilean tech-media-telecom company detracted due to bond technicals despite a long-term constructive view on the sector.

Market Review

Emerging markets debt (EMD) delivered positive returns for the month. Elevated concerns over the global economy stemming from stress in developed markets were offset by a broadly weaker U.S. dollar and falling yields. The International Monetary Fund (IMF) met for its annual spring meetings in Washington, D.C., where the general outlook was cautious due to distress in the U.S. banking sector and sticky inflation. Additionally, the consensus seemed to be that major central banks will keep rates higher for longer. Many Latin American countries, however, may be positioned to begin to cut rates first. Costa Rica cut rates for the second time in April, and the Dominican Republic could be ready to cut soon. We believe this trend may expand to other emerging markets central banks across regions. While flows year-to-date remain positive for the asset class, outflows continued from March into April, although the pace of local currency fund outflows moderated.

The three main EMD indexes had positive performance during the month. The corporate index, the J.P. Morgan CEMBI Broad Diversified Index, was up 0.88% as spreads tightened a bit and U.S. Treasury yields fell. The local segment, the J.P. Morgan Government Bond Index-Emerging Markets Global Diversified, was up 0.86% as many emerging markets currencies strengthened during the month and yields generally fell. The U.S. dollar-denominated sovereign index, the J.P. Morgan EMBI Global Diversified Index, was up 0.53%. Spreads were flat, but the rally in U.S. Treasury yields contributed to performance.

Portfolio Activity

Within external debt, we increased exposure to Jordan. Within domestic debt, we decreased exposure to India and Uruguay. Within corporates, we increased exposure to a Colombian transportation company.

Strategy and Outlook

The volatility stemming from banking stresses in developed markets has put a damper on the macro picture to some degree. That said, we remain constructive on the asset class. The U.S. Federal Reserve is near the end of its tightening cycle, which may relieve pressures created by a strong dollar and also may put select emerging markets central banks in a position to ease their own policy. The latest growth expectations from the IMF show wide growth differentials between developed and emerging markets with emerging economies considerably outpacing developed markets. Growth, inflation and policy are quite differentiated among countries and credits within the emerging markets universe, so bottom-up analysis is critical to uncover value.

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

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[1] Source: Morgan Stanley Investment Management Limited. Data as of 30 April 2023.

FUND FACTS

Launch date	Base currency	Index
03 August 2015	U.S. dollars	Custom - Blended Benchmark

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	1.80	-17.79	-3.16	4.85	14.13	-7.22	11.86	13.60	--	--	--
Blended Benchmark	3.87	-13.90	-3.26	5.46	13.73	-4.08	10.82	10.05	--	--	--

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 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 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. Luxemburg B 29 192.

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

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

Blended Benchmark refers to performance of Fund's benchmarks since inception - 03 August 2015 to 08 June 2020: 1/3 **J.P. Morgan EMBI Global Index**, 1/3 **J.P. Morgan GBI-EM Global Diversified Index**, 1/3 **J.P. Morgan CEMBI Broad Diversified Index**; 08 June 2020 and beyond - **J.P. Morgan Emerging Markets Blended Index (JEMB) - Equal Weighted**.

The **J.P. Morgan Emerging Markets Blended Index (JEMB) - Equal Weighted** is comprised of 1/3 **J.P. Morgan Emerging Markets Bond Global Diversified 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), 1/3 **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), and 1/3 **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).

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