Morgan Stanley Investment Funds

Emerging Markets Local Income Fund

EMERGING MARKETS DEBT TEAM

Performance Review

In the one month period ending 31 January 2024, the Fund's I shares returned -1.51% (net of fees)[1], while the benchmark returned -1.52%.

-MS INVF Emerging Markets Local Income Fund (the Fund) performed in line with its benchmark, the J.P. Morgan GBI-EM Global Diversified Index, during the month.

-The Fund experienced positive contributions to relative performance from local rates and limited exposure to off-benchmark sovereign and corporate credit.

-From a regional perspective, Eastern Europe and Africa 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, off-benchmark exposure to South Korean local bonds hurt performance as the currency weakened along with many emerging markets (EM) currencies. An overweight to Indonesian local bonds hurt performance as Bank Indonesia kept rates unchanged and the currency sold off. Off-benchmark exposure to Indian rupee contributed to performance.

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	01 February 2018
Base currency	U.S. dollars
Benchmark	JPM GBI - EM Global Diversified Index

1 Source: Morgan Stanley Investment Management Limited. Data as of 31 January 2024.
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	-1.51	13.88	-10.93	-7.90	5.46	--	--	--	--	--	--
JPM GBI - EM Global Diversified Index	-1.52	12.70	-11.69	-8.75	2.69	--	--	--	--	--	--

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 high 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.

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INDEX INFORMATION

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

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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