

A Sub-Fund of Morgan Stanley Investment Funds
Global Balanced Income Fund

PORTFOLIO SOLUTIONS GROUP

Investors should note that, relative to the expectations of the Autorité des Marchés Financiers, this UCITS presents disproportionate communication on the consideration of extra-financial criteria in its management.

Performance Review

In the one month period ending 28 February 2025, the Fund's Z shares returned -1.02% (net of fees)¹, while the benchmark returned -0.06%.

In February, U.S. growth concerns and geopolitical tensions intensified as the Trump administration continued to roll out its agenda and other countries/regions initiated responses. Increased policy uncertainty drove market volatility higher during the month. U.S. equities, Treasury yields, and the U.S. dollar declined (although the dollar rebounded at month-end) while non-U.S. equities advanced. Gold's rally moderated and natural gas prices surged, keeping commodities in positive territory for the month.

Our allocations to U.S. government bonds, European equities and U.S. corporate bonds were the top contributors to performance, while our allocations to U.S. equities, Japanese equities and developed markets equities were the top detractors over the month of February.

Market Review

United States

The MSCI USA Index returned -1.61% in U.S. dollar (USD) terms and -1.39% in euro terms in February. The U.S. manufacturing sector's return to expansion lost momentum in February. The Institute for Supply Management (ISM) Manufacturing PMI declined to 50.3%, from 50.9% in January, as new orders and employment both fell back into contraction and output grew at a slower rate. The service sector expansion, however, gained traction. Although business activity grew at a slightly softer pace, new orders and employment growth accelerated. The ISM Services PMI rose to 53.5% in February, from 52.8% in January.

The U.S. headline consumer price index (CPI) was up 3.0% in the year ended January 2025, increasing from 2.9% in December 2024, according to the U.S. Bureau of Labor Statistics (BLS). Excluding food and energy, core CPI grew 3.3% in the year to January 2025, an uptick from 3.2% in December 2024. In a separate BLS report, the unemployment rate ticked higher to 4.1% in February 2025, from 4.0% in January 2025, and 151,000 jobs were added in the month. Wages grew 4.0% in the 12 months ended February 2025.

Eurozone

The MSCI Europe Index returned 3.63% in euro terms and 3.40% in USD terms in February. The contraction in the eurozone manufacturing sector eased further in February, helped by softer declines in production and new orders. However, job losses accelerated. The HCOB Eurozone Manufacturing PMI came in at 47.6, up from 46.6 in January. Service sector activity grew at a slower rate. The HCOB Eurozone Services PMI fell to 50.6 in February, from 51.3 in January, due to a renewed contraction in new business and weaker growth in job creation.

Annual headline inflation grew 2.4% in February 2025, down from 2.5% in January, according to Eurostat's flash estimate. Annual core inflation (excluding energy, food, alcohol, and tobacco) rose 2.6% in February, falling from 2.7% in January. In a separate Eurostat report, the unemployment rate in January 2025 was estimated to be 6.2% in the euro area and 5.8% in the European Union, both stable versus December 2024.

Japan

The MSCI Japan Index returned -4.00% in yen terms and -1.36% in USD terms in February. Japan's manufacturing sector posted a more moderate contraction versus the prior month. The au Jibun Bank Japan Manufacturing PMI rose to 49.0 in February, from 48.7 in January, on the back of slower declines in new orders and output and stagnation in employment. The service sector, in contrast, reported a stronger expansion in activity, helped by new business growth and increased (although slower) hiring. The au Jibun Bank Japan Services PMI increased to 53.7 in February, from 53.0 in January. The Ministry of Economy, Trade and Industry reported industrial production increased 2.6% year-over-year in January 2025.

Headline inflation rose 4.0% over the year ended January 2025, faster than 3.6% in December 2024, as reported by the government's statistics office. Japan's unemployment rate was 2.5% in January 2025, an uptick from 2.4% in December 2024. Household spending grew 0.8% (in real terms) in the year ended January 2025.

¹ Source: Morgan Stanley Investment Management Limited. Data as of 28 February 2025.

Portfolio Activity

There have been shifts within macro data trends that have led us to reassess our views in the past month. In early February, we closed our underweight positioning in Europe and moved to neutral position. We achieved this by reducing our exposure in U.S. equities and reinvesting the proceeds in European equities, given Europe's improving data trends, low market expectations, a positive inflection in manufacturing, and benefits from a potential resolution of conflict in Ukraine. Within the Europe exposure, we maintained our positioning in European banks and added exposure to materials and construction (STOXX Europe 600 Construction & Materials basket), which was funded by reducing our fixed income exposure via government and investment grade bonds. We believe the materials and construction exposure is likely to benefit from reconstruction efforts in Ukraine. The portfolio's effective equity exposure at the end of the month was 54.5%.

Strategy and Outlook

February performance reflected three key themes: (1) a further breakdown in market confidence around the artificial intelligence (AI) trade, initially triggered in January by the focus on DeepSeek's latest AI model; (2) a soft patch in U.S. economic data, which contrasted with an improving ex-U.S. data trend; and (3) concerns around potential U.S. trade policy implementation. These manifested in weak equity markets, lower interest rates, wider credit spreads, technology and cyclical sector underperformance, and U.S. equity underperformance relative to ex-U.S. equities.

The AI trade seems to have stalled with the market questioning expectations for AI infrastructure-related upside while lacking conviction in its next leg. Since early 2023, the AI trade has been dominated by the companies providing AI chips and building out AI data centers. While most experts caution against over-extrapolating from DeepSeek's purported success in a compute-constrained context, the event still served to highlight fragility in the AI infrastructure trade. Market confidence in AI's transformative potential remains high, but it is far less clear who will win or lose as focus shifts from companies driving the infrastructure buildout to uptake and implementation.

The second key driver of February market performance was a soft patch in U.S. economic data, primarily relating to January consumer data. A weak January retail sales report was followed by weakness in January personal spending data, consumer sentiment readings and services PMIs. While the confluence of these data points deserves attention, we suspect that there is more noise than signal. The reversion in data from a strong end to 2024, issues with seasonal adjustments, cold weather, and fires in California likely all served to temporarily depress January data. There were some bright points in year-to-date macro data; most notably stronger ex-U.S. data trends and a positive inflection in manufacturing data after a long period of weakness.

The third driver of February market weakness is policy uncertainty. The risk to markets is two-fold, including both the potential that some of the more extreme rhetoric becomes permanent policy and the risk that policy uncertainty itself is sufficient to meaningfully dampen demand. The challenge will be to avoid overreacting to any short-term noise, while remaining vigilant in recognizing any sustained shifts in policy direction relative to expectations.

Policy uncertainty is a feature of the current administration and will likely persist at some level, though time should help clarify the divide between rhetoric and implemented policy. Our view entering this year has been that the totality of this administration's policy agenda will be supportive of growth, executed through the pillars of deregulation, fiscal and trade policy. Within this trifecta of policy vectors, trade policy has represented the greatest source of risk and uncertainty. Our base case remains that the worst-case tariff scenarios will ultimately be avoided, but we continue to assess news flow with open eyes.

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

Fund Facts

| | |
|---------------|--------------|
| Launch date | 31 July 2014 |
| Base currency | Euro |

Calendar Year Returns (%)

Past performance is not a reliable indicator of future results.

| | YTD | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|----------------|------|-------|------|-------|------|-------|------|-------|------|------|------|
| Class Z Shares | 0.59 | 12.05 | 7.53 | -8.91 | 9.53 | -3.32 | 9.21 | -6.23 | 4.75 | 4.83 | 5.08 |

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 shares. The sources for all performance and index data is Morgan Stanley Investment Management ('MSIM Ltd'). **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 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.
- There are increased risks of investing in emerging markets as political, legal and operational systems may be less developed than in developed markets.
- The derivative strategy aims to increase the income paid to investors, but there is potential for the fund to suffer losses.
- 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, available at www.morganstanleyinvestmentfunds.com. All data as of 28.02.2025 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 language of countries authorized for fund distribution and is available online at [Morgan Stanley Investment Funds Webpages](#) or free of charge from the Registered Office at European Bank and Business Centre, 6B route de Trèves, L-2633 Senningerberg, R.C.S. Luxemburg B 29 192.

The summary of investor rights is available in the aforementioned languages and website location under the General Literature section.

Information in relation to sustainability aspects of the Fund is available in English online at: [Sustainable Finance Disclosure Regulation](#).

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 UCITS rules.

IMPORTANT INFORMATION

The material has been prepared solely for informational purposes and does not constitute an offer or a recommendation to buy or sell any particular security or to adopt any specific investment strategy. Investors should be aware that a diversified strategy does not protect against a loss in a particular market.

All investments involve risks, including the possible loss of principal. The material contained herein has not been based on a consideration of any individual client circumstances and is not investment advice, nor should it be construed in any way as tax, accounting, legal or regulatory advice. To that end, investors should seek independent legal and financial advice, including advice as to tax consequences, before making any investment decision.

The use of leverage increases risks, such that a relatively small

movement in the value of an investment may result in a disproportionately large movement, unfavourable as well as favourable, in the value of that investment and, in turn, the value of the Fund.

Investment in the Fund concerns the acquisition of units or shares in a fund, and not in a given underlying asset such as building or shares of a company, as these are only the underlying assets owned.

Morgan Stanley Investment Management 'MSIM', the asset management division of Morgan Stanley (NYSE: MS) has not authorised financial intermediaries to use and to distribute this material, unless such use and distribution is made in accordance with applicable law and regulation. MSIM shall not be liable for, and accepts no liability for, the use or misuse of this material by any such financial intermediary. If you are a distributor of the Morgan Stanley Investment Funds, some or all of the funds or shares in individual funds may be available for distribution. Please refer to your sub-distribution agreement for these details before forwarding fund information to your clients.

The whole or any part of this material may not be directly or indirectly reproduced, copied, modified, used to create a derivative work, performed, displayed, published, posted, licensed, framed, distributed or transmitted or any of its contents disclosed to third parties without the Firm's express written consent. This material may not be linked to unless such hyperlink is for personal and non-commercial use. All information contained herein is proprietary and is protected under copyright and other applicable law.

Where such a translation is made, this English version remains definitive; any discrepancies with another language, the English version prevails.

This material has been prepared on the basis of publicly available information, internally developed data and other third-party sources believed to be reliable. However, no assurances are provided regarding the reliability of such

information and MSIM, the Firm has not sought to independently verify information taken from public and third-party sources.

Charts and graphs provided herein are for illustrative purposes only and subject to change.

INDEX INFORMATION

The **MSCI USA Index** is designed to measure the performance of the large and mid cap segments of the US market. With 631 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in the US.

The **MSCI Europe Index** is a free float-adjusted market capitalization index that is designed to measure developed market equity performance in Europe. The term "free float" represents the portion of shares outstanding that are deemed to be available for purchase in the public equity markets by investors. The performance of the Index is listed in U.S. dollars and assumes reinvestment of net dividends.

The **MSCI Japan Index** is a free-floated adjusted market capitalization weighted index that is designed to track the equity market performance of Japanese securities listed on the Tokyo Stock Exchange, Osaka Stock Exchange, JASDAQ and Nagoya Stock Exchange. The MSCI Japan Index is constructed based on the MSCI Global Investable Market Indices Methodology, targeting a free-float market capitalization coverage of 85%.

The **S&P MidCap 400** is designed to measure the performance of 400 mid-sized companies, reflecting the distinctive risk and return characteristics of this market segment.

The **Standard & Poor's 500® Index (S&P 500®)** measures the performance of the large cap segment of the U.S. equities market, covering approximately 80% of the U.S. equities market. The Index includes 500 leading companies in leading industries of the U.S. economy.

DISTRIBUTION

This material is only intended for and will be only distributed to persons resident in jurisdictions where such distribution or availability would not be contrary to local laws or regulations. It is the responsibility of any person in possession of this material and any persons wishing to make an application for Shares in pursuant to the Prospectus to inform themselves and observe all applicable laws and regulations of any relevant jurisdictions.

MSIM, the asset management division of Morgan Stanley (NYSE: MS), and its affiliates have arrangements in place to market each other's products and services. Each MSIM affiliate is regulated as appropriate in the jurisdiction it operates. MSIM's affiliates are: Eaton Vance Management (International) Limited, Eaton Vance Advisers International Ltd, Calvert Research and Management, Eaton Vance Management, Parametric Portfolio Associates LLC, and Atlanta Capital Management LLC.

In the EU, this material is issued by MSIM Fund Management (Ireland) Limited (FMIL). FMIL is regulated by the Central Bank of Ireland and is incorporated in Ireland as a private company limited by shares with company registration number 616661 and has its registered address at 24-26 City Quay, Dublin 2, DO2 NY19, Ireland.

Outside the EU, this material is issued by MSIM Ltd is authorized and regulated by the Financial Conduct Authority. Registered in England. Registered No. 1981121. Registered Office: 25 Cabot

Square, Canary Wharf, London E14 4QA.

Switzerland: MSIM materials are available in German and are issued by Morgan Stanley & Co. International plc, London (Zurich Branch) Authorized and regulated by the Eidgenössische Finanzmarktaufsicht ("FINMA"). Registered Office: Beethovenstrasse 33, 8002 Zurich, Switzerland.

Dubai: MSIM Ltd (Representative Office, Unit Precinct 3-7th Floor-Unit 701 and 702, Level 7, Gate Precinct Building 3, Dubai International Financial Centre, Dubai, 506501, United Arab Emirates.

This document is distributed in the Dubai International Financial Centre by Morgan Stanley Investment Management Limited (Representative Office), an entity regulated by the Dubai Financial Services Authority ("DFSA"). It is intended for use by professional clients and market counterparties only. This document is not intended for distribution to retail clients, and retail clients should not act upon the information contained in this document.

This document relates to a financial product which is not subject to any form of regulation or approval by the DFSA. The DFSA has no responsibility for reviewing or verifying any documents in connection with this financial product. Accordingly, the DFSA has not approved this document or any other associated documents nor taken any steps to verify the information set out in this document, and has no responsibility for it. The financial product to which this document relates may be illiquid and/or subject to restrictions on its resale or transfer. Prospective purchasers should conduct their own due diligence on the financial product. If you do not understand the contents of this document, you should consult an authorized financial adviser.

Hong Kong: This material is disseminated by Morgan Stanley Asia Limited for use in Hong Kong and shall only be made available to "professional investors" as defined under the Securities and Futures Ordinance of Hong Kong (Cap 571). The contents of this material have not been reviewed nor approved by any regulatory authority including the Securities and Futures Commission in Hong Kong. Accordingly, save where an exemption is available under the relevant law, this material shall not be issued, circulated, distributed, directed at, or made available to, the public in Hong Kong.

Singapore: This material should not be considered to be the subject of an invitation for subscription or purchase, whether directly or indirectly, to the public or any member of the public in Singapore other than (i) to an institutional investor under section 304 of the Securities and Futures Act, Chapter 289 of Singapore ("SFA"); or (ii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA. In particular, for investment funds that are not authorized or recognized by the MAS, units in such funds are not allowed to be offered to the retail public; any written material issued to persons as aforementioned in connection with an offer is not a prospectus as defined in the SFA and, accordingly, statutory liability under the SFA in relation to the content of prospectuses does not apply, and investors should consider carefully whether the investment is suitable for them. In cases where you are dealing with a representative of Morgan Stanley Asia Limited, and where such representative is acting on behalf of Morgan Stanley Asia Limited, please note that such representative is not subject to regulatory requirements issued by the Monetary Authority of Singapore

nor is under the supervision of the Monetary Authority of Singapore. For any issues which may arise in your dealing with such representative, please approach the Singapore-based contact person who has been established as your local contact person.

Australia: This material is provided by Morgan Stanley Investment Management (Australia) Pty Ltd ABN 22122040037, AFSL No. 314182 and its affiliates and does not constitute an offer of interests. Morgan Stanley Investment Management (Australia) Pty Limited arranges for MSIM affiliates to provide financial services to Australian wholesale clients. Interests will only be offered in circumstances under which no disclosure is required under the Corporations Act 2001 (Cth) (the "Corporations Act"). Any offer of interests will not purport to be an offer of interests in circumstances under which disclosure is required under the Corporations Act and will only be made to persons who qualify as a "wholesale client" (as defined in the Corporations Act). This material will not be lodged with the Australian Securities and Investments Commission.

Chile: Potential investors are advised that this document refers to foreign securities that may be registered in the Foreign Securities Register ("FSR") from the Commission for Financial Markets (Comisión para el Mercado Financiero or "CMF") (the "Registered Securities") or that may not be registered in the FSR (the "Non-Registered Securities").

For Registered Securities, please be advised: The securities being offered are foreign. Shareholder rights and obligations are those of the issuer's home jurisdiction. Shareholders and potential investors should inform themselves on what those rights and obligations are and how to exercise them. CMF supervision of the securities is limited to information requirements in Rule 352, overall supervision is conducted by the foreign regulator in the issuer's home jurisdiction. Public information available for the securities is exclusively that required by the foreign regulator and accounting principles and auditing rules might differ to those applicable to Chilean issuers. The provisions on Article 196 of Law 18.045 are applicable to all parties involved in the registration, deposit, transaction and other acts associated with the foreign securities ruled by Title XXIV of Law 18.045.

For Non-Registered Securities, please be advised: THE SECURITIES INCLUDED IN THIS DOCUMENT ARE NOT REGISTERED IN THE FSR AND OFFERS REGARDING SUCH SECURITIES WILL BE CONDUCTED SUBJECT TO GENERAL RULE N°336 OF THE CMF, BEGINNING AT THE DATE OF THIS DOCUMENT. THESE ARE FOREIGN SECURITIES AND THEIR ISSUER IS UNDER NO OBLIGATION TO PROVIDE PUBLIC DOCUMENTS IN CHILE. THE SECURITIES ARE NOT SUBJECT TO THE SUPERVISION OF THE CMF AND CANNOT BE PUBLICLY OFFERED. THEREFORE, THIS DOCUMENT AND OTHER OFFERING MATERIALS RELATING TO THE OFFER OF THE INTERESTS IN THE FUND DO NOT CONSTITUTE A PUBLIC OFFER OF, OR AN INVITATION TO SUBSCRIBE FOR OR PURCHASE, THE FUND INTERESTS IN THE REPUBLIC OF

CHILE.

Please contact your local Distributor or the person who provided this document for information on the registration status of specific securities.

Peru: The Fund is a sub Fund of the Morgan Stanley Investment Funds, a Luxembourg domiciled Société d'Investissement à Capital Variable (the "Company") is registered in the Grand Duchy of Luxembourg as an undertaking for collective investment pursuant to Part 1 of the Law of 17th December 2010, as amended. The Company is an Undertaking for Collective Investment in Transferable Securities ("UCITS"). If the Fund and the interests in the Fund have been registered in Peru under *Decreto Legislativo 862: Ley de Fondos de Inversión y sus Sociedades Administradoras* as amended; under *Decreto Legislativo 861: Ley del Mercado de Valores* (the "Securities Market Law") as amended, and under the *Reglamento del Mercado de Inversionistas Institucionales* approved by *Resolución SMV N°021-2013-SMV/01* as amended by the *Resolución de Superintendente N°126-2020-SMV/02* (the "*Reglamento 1*") and *Resolución de Superintendente N°035-2021-SMV/02* (the "*Reglamento 2*"), and are being offered to institutional investors only (as defined in article 8 of the Securities Market Law) under the special public offering directed exclusively to the institutional investors under the *Reglamento 1 and Reglamento 2*, then the interests in the Fund will be registered in the Section "*Del Mercado de Inversionistas Institucionales*" of the Securities Market Public Registry (*Registro Público del Mercado de Valores*) maintained by the *Superintendencia del Mercado de Valores (SMV)*, and the offering of the Fund interests in Peru only to institutional investors will be subject to the supervision of the SMV, as well as 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 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.