A Sub-Fund of Morgan Stanley Investment Funds

Global Bond Fund

BROAD MARKETS FIXED INCOME TEAM

Performance Review

In the one month period ending 31 July 2026, the Fund's I shares returned -0.74% (net of fees)[1], while the benchmark returned -0.53%.

July's underperformance was driven primarily by macro rates positioning. Within macro positioning, U.S. duration was the largest single detractor as U.S. Treasury yields rose materially on the Iran war-driven oil price surge and hawkish Federal Reserve (Fed) dissents. Denmark duration and New Zealand duration also detracted. The underweight to euro area duration offset some of the developed markets rates underperformance. Spread sectors added meaningfully, led by a long position in asset-backed securities (ABS).

Macro Positioning

- **U.S. Duration:** The largest single detractor over the month, as U.S. Treasury yields rose materially on the Iran war-driven oil price surge and hawkish Fed dissents at the 29 July meeting where three regional presidents dissented in favor of a 25 basis point hike (the majority voted to hold at 3.50%-3.75%); the portfolio's overweight allocation and carry structure detracted through the rate sell-off.
- **Denmark Duration:** The overweight Danish duration position detracted as Danish yields rose in sympathy with European yields via the krone-euro peg, amid bund yields climbing to two-month highs and the European Central Bank's (ECB) continued restrictive stance following the June rate hike to 2.25%.
- **New Zealand Duration:** The overweight New Zealand duration position detracted as the central bank delivered its first rate hike in over three years on 8 July, raising the official cash rate by 25 basis points (bps) to 2.50% citing the need to remove stimulatory monetary policy and gradually move toward neutral.
- **Euro Area Duration:** The main contributor over the month, with the underweight euro area duration position benefiting as bund yields rose to two-month highs (and around 3.15% on the 10-year) on the Iran war-driven oil surge and market pricing of additional ECB hikes; the ECB's 23 July hold at 2.25% came with President Lagarde signaling potential further tightening.
- **Foreign Exchange (FX) Positioning:** Contributed on balance over the month, with the long Brazilian real currency position the primary contributor as the real strengthened, partially offset by long exposures to Korean won, Hungarian forint and Indian rupee, which detracted.

Spread Sector Exposures

Securitized : The overweight ABS position was the largest single sector contributor over the month, alongside contributions from the long non-agency residential mortgage-backed securities (RMBS) and overweight non-agency commercial mortgage-backed securities (CMBS) positions as securitized spreads held resilient through the rate sell-off.

Market Review

July was defined by a broad sell-off in developed market rates as investors continued to assess the durability of growth, inflation and restrictive monetary policy. Government bond yields rose across most major markets, while inflation expectations moved higher and U.S. curves steepened. Spread sectors were more mixed: U.S. credit widened modestly, European investment grade remained resilient, and securitized products absorbed higher rates with only limited deterioration in credit spreads.

The rates move was global. The U.S. 10-year Treasury yield rose 27 bps to 4.73%, while 10-year yields increased 35 bps in Germany, 29 bps in the U.K., 28 bps in Canada and 32 bps in New Zealand.[2] In the U.S., the sell-off was accompanied by curve steepening, with the 2s10s spread widening 15 bps and the 5s30s spread increasing 10 bps. Inflation expectations also rose, with 10-year breakevens increasing 5 bps in the U.S. and by roughly 17 bps to 20 bps across several European markets. These moves reflected continued uncertainty around the path of monetary policy, particularly as positive growth data and lingering inflation risks limited the scope for near-term easing.

The Federal Reserve's month-end meeting added to that uncertainty. The Federal Open Market Committee left rates unchanged despite three votes in favor of a 25 bps hike, creating a hawkish vote split but a more measured policy signal. Chair Warsh emphasized the tightening already delivered by higher market yields and suggested the Fed was willing to preserve flexibility rather than lead expectations with a more forceful inflation message. Markets interpreted the reaction function as comparatively dovish: the yield curve steepened, September policy expectations repriced, and breakevens moved higher. The response suggested investors

[1] Source: Morgan Stanley Investment Management Limited. Data as of 31 July 2026.
[2] Source for all data unless otherwise noted: Bloomberg L.P. Data as of 31 July 2026.

viewed the Fed as prepared to let financial conditions do part of the tightening work, while remaining less explicit about what would trigger direct policy action.

Foreign exchange markets partially reversed June's U.S. dollar strength. The broad dollar index (DXY) declined approximately 1.3%, while the yen, sterling, Norwegian krone and New Zealand dollar appreciated. Emerging market currency performance was highly differentiated, with notable strength in Colombian peso and Korean won, while Hungarian forint, Turkish lira and Egyptian pound weakened.

Credit markets remained orderly despite higher government bond yields and historically tight valuations. U.S. investment grade spreads widened 4 bps to 78 bps (option-adjusted spreads), with industrials modestly underperforming financials and utilities. Longer-duration yields moved above 6%, increasing the all-in income available from high quality corporate credit, though elevated issuance and tight starting valuations contributed to greater investor selectivity. Euro investment grade proved more resilient, tightening 1 bp to 79 bps, with modest outperformance from industrials and utilities. The regional divergence reinforced the importance of market and sector selection rather than broad credit beta.

High yield credit experienced somewhat greater pressure. U.S. high yield spreads widened 9 bps to 279 bps, led by a 56 bps move in CCC-rated debt, while BB and single-B spreads moved more modestly. Euro high yield widened only 3 bps to 272 bps, although single-B credits underperformed. Primary activity and artificial intelligence (AI)-related financing remained important themes, but investors continued to distinguish sharply between established businesses offering attractive carry and more speculative data center or technology-related issuers.

Leveraged loans remained characterized by substantial dispersion. Software continued to trade at a significant discount to the broader market, reflecting persistent concerns around AI disruption, refinancing and the transparency of private-market valuations. At the same time, stronger collateralized loan obligation (CLO) demand created selective opportunities in higher quality software issuers with mission-critical products, shorter maturities and stronger switching costs. The broader theme remained one of improving opportunities beneath a market that still required disciplined issuer selection.

Securitized markets faced pressure primarily from the rise in interest rates rather than a meaningful deterioration in credit fundamentals. Agency mortgage-backed securities (MBS) yields increased 33 bps to 5.75%, while spreads widened 9 bps to approximately 116 bps versus comparable Treasurys. Thirty-year mortgage rates rose to 6.73%. By contrast, spread movements across securitized credit remained modest: agency CMBS and AAA CMBS widened only 1 bp, while AAA ABS tightened slightly. Stable housing fundamentals and improving commercial real estate occupancy continued to support underlying credit performance, although higher rates and heavy issuance constrained broader spread tightening.

Emerging markets (EM) were mixed as global yields rose and country-specific developments remained the primary source of differentiation. External sovereign spreads widened 10 bps to 227 bps, with the Middle East underperforming as regional risk premia remained elevated. EM corporate spreads widened only modestly, while local yields rose across many markets, including Hungary, Poland, South Africa, Mexico, Indonesia and South Korea. Political developments and policy measures in markets such as Colombia and India continued to create idiosyncratic opportunities despite the less supportive global rates backdrop.

Overall, July marked a shift from the relative stability of June toward renewed pressure from higher global yields. Fixed income markets remained functional and technical demand continued to provide support, but the combination of rising rates, tight spreads and growing dispersion reinforced the importance of carry, relative value and active security selection.

Portfolio Activity

We remain constructive on global fixed income markets. Over the month, positioning evolved through marginal reduction to duration and continued rotation within spread sectors, alongside targeted adjustments in FX exposures. Activity reflected a measured shift in positioning rather than a broad change in stance, with additions where prior underweights were reduced and selective reallocation across spread exposures.

Duration Management:

- During July, the portfolio marginally reduced its overall duration overweight, ending the month at 0.38 years (portfolio at 6.46 years versus the benchmark's 6.08 years). The overweight to U.S. dollar duration was progressively reduced to a modest underweight through futures adjustments. The Danish duration overweight was extended modestly. Other developed market duration positions were largely maintained across the month.

Foreign Exchange:

- In FX, the portfolio reduced its short euro and underweight U.S. dollar positions modestly, while exiting its long Indian rupee and Hungarian forint positions.

Spread Sector Adjustments

- In spread sectors, the portfolio extended its overall active spread duration by 0.25 years, ending the month at 0.80 years overweight.
- The underweight to investment grade corporates was reduced as the portfolio bought some idiosyncratic investment grade credit names that had widened materially on the back of volatility within the technology/communication sectors.
- The agency RMBS overweight was reduced, limiting potential exposure to greater negative convexity in a higher-rate environment. The non-agency CMBS, ABS and covered bond overweights were extended modestly.

Strategy and Outlook

Developed Market Rate/Foreign Currency

(Long duration, neutral curve positioning, selective high-carry FX)

The sector views below are grounded in a macro environment where country differentiation is becoming increasingly important. In the U.S., resilient labor market data, firm consumption and persistent inflation pressures have led investors to reprice monetary policy expectations toward a more restrictive path than was anticipated at the beginning of the year. Elsewhere in developed markets, much of this adjustment occurred earlier, though inflation, energy prices, fiscal dynamics and differing growth trajectories continue to shape central bank expectations.

Against this backdrop, we maintain a long-duration stance across developed markets, expressed selectively in regions where growth appears more vulnerable to tighter financial conditions and valuations are compelling. Exposure remains focused on short-maturity rates in Canada and New Zealand, alongside selective euro area duration, including France. This positioning reflects the greater scope for economic weakness outside the U.S. and the potential for regional policy paths to diverge.

Inflation remains a central macro risk. Although market-implied inflation expectations have fluctuated, underlying price pressures and uncertainty around the Federal Reserve's reaction function continue to support exposure to U.S. breakevens across intermediate and longer maturities. We continue to see value in buffering portfolios against the risk that inflation remains above target for longer than markets currently anticipate.

We remain broadly neutral on directional curve exposure, while retaining selective relative-value positions where differences in policy, growth and valuation create more attractive opportunities. These include cross-market positions within Europe and targeted curve exposure in Australia, rather than a broad global steepening or flattening view.

In foreign exchange, we continue to favor selective high-carry emerging market currencies where fundamentals and valuations remain supportive. Our positive view is focused on the Mexican peso, funded against lower-yielding European currencies including the euro, Swiss franc and Swedish krona. More broadly, we expect currency markets to remain sensitive to relative growth, inflation and central bank dynamics, with country differentiation continuing to create opportunities across both developed and emerging markets.

Emerging Market Debt

(Overweight)

Emerging market sovereign and corporate debt remains an attractive opportunity, supported by elevated real yields, resilient income generation and improving fundamentals in select countries. However, July presented a less supportive external backdrop as developed market yields rose sharply, EM sovereign spreads widened, and local rates came under pressure across several regions. Middle Eastern risk premia also increased amid continued geopolitical uncertainty, reinforcing the importance of regional and country differentiation.

Carry and income remain central drivers of expected returns, though country selection is increasingly important given elevated dispersion. Recent performance highlighted the value of idiosyncratic opportunities, including positive political and capital-flow developments in Colombia, alongside more challenging conditions in markets facing inflation, currency or policy pressure. Higher energy prices also continue to create divergence between commodity exporters and importers.

Valuations remain attractive across select local- and hard-currency markets, and many EM currencies continue to offer compelling carry relative to developed markets. While higher global yields, tighter financial conditions and persistent inflation remain important risks, we continue to favor countries with credible monetary frameworks, improving external balances and attractive real-yield differentials. In an environment where global growth remains positive and default risks remain contained, we believe the asset class continues to offer attractive risk-adjusted return potential.

Corporate Credit

(Underweight IG, small overweight HY)

We remain underweight investment grade corporates due to tight valuations, rising government bond yields and limited scope for broad-based spread compression. July reinforced the importance of regional differentiation: U.S. investment grade spreads widened modestly as higher yields and elevated issuance weighed on the market, while euro investment grade remained comparatively resilient. All-in yields have become more attractive, but carry remains the principal source of expected return and tight starting spreads leave limited defense against further volatility.

Fundamentals remain solid, supported by healthy balance sheets, low downgrade risk and generally resilient earnings. That said, the market is increasingly entering a later-cycle phase characterized by elevated merger and acquisition (M&A) activity, AI- and infrastructure-related capital expenditure, and higher shareholder distributions. AI-related financing has continued to accelerate, particularly among large technology and hyperscale issuers, reinforcing expectations that infrastructure spending will likely remain an important driver of corporate issuance.

Regionally, we continue to prefer Europe over the U.S., supported by stronger technicals and more resilient spread performance. Within the U.S., we favor financials and utilities over industrials and lower-quality non-financial issuers, where capital expenditure, M&A activity and shareholder distributions may create greater balance sheet pressure. We remain particularly selective in sectors where technological disruption or speculative financing activity could weaken credit quality.

We maintain a modest overweight to select high yield issuers in both the U.S. and Europe. While fundamentals remain broadly supportive, July's widening was concentrated in lower quality U.S. credit, particularly CCC-rated issuers, highlighting the limited margin for error at current valuations. We therefore continue to favor BB and higher quality single-B credits with resilient cash flows, manageable refinancing needs and less exposure to speculative AI- or data center-related financing.

We continue to believe a meaningful demand-destruction scenario is not the base case. Low but positive economic growth, supported by fiscal spending, energy-related investment and continued AI and infrastructure capital expenditure, remains consistent with a broadly benign default environment. However, with much of the good news already reflected in valuations, selectivity is increasingly important.

Elevated dispersion across sectors and issuers continues to create opportunities for active positioning. We favor businesses with resilient cash flows, strong pricing power, lower refinancing risk and less exposure to cyclical demand pressure. While high yield spreads leave limited margin for error, the yield per unit of spread-duration risk remains compelling relative to investment grade credit.

Leveraged Loans

(Neutral)

We maintain a neutral stance on leveraged loans as increased dispersion and prior spread widening have improved valuations across parts of the market. The asset class remains characterized by selective technicals and meaningful issuer-level differentiation, but valuations have become more attractive, particularly relative to high yield corporates. CLO demand continues to provide an important source of support, while investor preference remains focused on higher quality issuers and more resilient sectors.

Software and technology-linked issuers remain an area of caution given ongoing uncertainty around AI-related disruption. However, the broad-based sell-off across parts of the sector has also created selective opportunities where market pricing appears disconnected from underlying fundamentals. In several cases, investors have reduced exposure indiscriminately, creating attractive entry points in higher quality, mission-critical businesses with durable cash flows, proprietary data advantages and high switching costs.

More broadly, economically sensitive sectors continue to face pressure from elevated financing costs, inflation uncertainty and rising input costs, even as overall corporate fundamentals remain relatively stable. The rise in global yields and continued uncertainty around the policy outlook may extend pressure on highly leveraged borrowers, reinforcing our preference for issuers with strong interest coverage, manageable maturity profiles and durable cash-flow generation.

CLO issuance and demand for floating-rate exposure remain supportive, helping offset more mixed retail flows. While selectivity remains paramount, current valuations provide improved, though still selective, compensation for refinancing and macroeconomic risks in higher quality segments of the market.

Securitized Products

(Overweight)

Agency MBS and non-agency RMBS remain a high-conviction overweight. Agency MBS came under pressure in July as government bond yields rose, the curve steepened and mortgage rates increased. Agency MBS yields rose materially and spreads widened versus comparable Treasurys, improving relative valuations after a period of strong performance. We continue to view current-coupon agency MBS as attractive relative to other high quality fixed income sectors, particularly given the additional yield and reduced prepayment risk associated with a higher-for-longer rate environment.

Technical conditions remain broadly supportive, although the sector is likely to remain sensitive to rates volatility. Attractive all-in yields continue to support demand from money managers, banks and government-sponsored enterprises, while Federal Reserve balance sheet runoff remains a source of supply. A sustained increase in rates volatility or a further sharp move in long-term rates would represent the principal near-term risks.

Non-agency RMBS continues to offer one of the more attractive opportunity sets within structured credit. Stable home prices, low loan-to-value ratios, improving collateral performance and limited refinancing risk continue to support fundamentals. Strong issuance growth has been met with robust investor demand, particularly in residential credit sectors where recent vintages continue to demonstrate favorable performance characteristics.

Securitized credit proved more resilient than agency MBS during July. Spread movements in CMBS were limited, while AAA ABS tightened modestly, suggesting that the month's weakness was driven primarily by higher rates rather than a deterioration in collateral fundamentals.

CMBS remain an attractive area of structured credit, though selectivity remains critical. Fundamentals are resilient in higher quality segments, and strong technical demand has continued to support the sector despite the higher rate environment. We continue to favor exposure to hospitality, logistics, storage and high quality multifamily assets, where operating performance and collateral quality remain comparatively strong.

Issuance across securitized markets, including CMBS, has remained robust through the single-asset, single-borrower market, but many transactions have been well absorbed and heavily oversubscribed, reinforcing the strength of investor demand. Dispersion across property types, locations and capital structures remains elevated, and we continue to focus on higher quality transactions where collateral performance, borrower sponsorship and cash-flow visibility provide stronger downside mitigation.

ABS remain supported by strong demand, attractive carry and the sector's generally shorter-duration profile. Issuance has been robust, but demand for high quality securitized collateral has remained resilient, helping spreads remain well contained despite elevated supply. We continue to view the sector as a useful source of diversification and income in an environment where carry is expected to be a dominant driver of returns.[3]

We also continue to see opportunities in select non-consumer ABS where fundamentals remain stable and valuations remain attractive. We are more cautious in areas where projected supply, technology disruption or uncertain long-term economics are not adequately reflected in spreads.

Lastly, we remain constructive on Danish covered bonds, where defensive characteristics, strong legal frameworks and attractive U.S. dollar-hedged yields continue to support relative value.

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

Fund Facts

Launch date	01 November 1989
Base currency	U.S. dollars
Benchmark	Custom- Blended Benchmark

Calendar Year Returns (%)

Past performance is not a reliable indicator of future results.

	YTD	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Class I Shares	-1.04	8.73	-0.88	5.90	-16.73	-5.10	10.48	8.79	-2.63	9.57	2.37
Blended Benchmark	-0.75	8.17	-1.69	5.72	-16.25	-4.71	9.20	6.84	-1.20	7.39	2.09

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.**

3 Diversification neither assures a profit nor guarantees against a loss in a declining market.

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, available at www.morganstanleyinvestmentfunds.com. All data as of 31.07.2026 and subject to change daily.

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The **Bloomberg Global Aggregate Index**: provides a broad-based measure of the global investment grade fixed-rate debt markets. Total Returns shown is unhedged USD.

The **JPM Global Traded Unhedged Index:** provides a broad-based measure of the global investment grade fixed-rate debt markets. Total Returns shown is unhedged USD.

The **FTSE WGBI Index:** measures the performance of fixed-rate, local currency, and investment grade sovereign bonds. The WGBI provides a broad benchmark for the global sovereign fixed income market.

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A blended benchmark has been used because there has been a change in benchmark during the reporting period shown.

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Peru:

If the Fund is NOT REGISTERED in 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"). Neither the Fund nor the interests in the Fund have been and will not be registered in Peru under ***Decreto Legislativo 862: Ley de Fondos de Inversión y sus Sociedades Administradoras*** and under ***Decreto Legislativo 861: Ley del Mercado de Valores*** (the "Securities Market Law"), nor they will be subject to a public offering directed to institutional investors under the ***Reglamento del Mercado de Inversionistas Institucionales*** approved by ***Resolución SMV N°021-2013-SMV/01 (the "Reglamento")*** as amended, and are being 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 have not been registered in 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 to institutional investors nor the Fund are subject to the supervision of the SMV. 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.

If the Fund is REGISTERED in 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"). 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*** and ***Resolución de Superintendente N°035-2021-SMV/02*** (the "***Reglamento***"), 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***. The interests in the Fund have been 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 is subject to the supervision of the SMV . 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***. 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

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