

## A Sub-Fund of Morgan Stanley Investment Funds

# Global Credit Fund

### BROAD MARKETS FIXED INCOME TEAM

**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 30 November 2025, the Fund's Z shares returned 0.40% (net of fees)<sup>1</sup>, while the benchmark returned 0.54%.

The performance can be attributed to the following factors.

The portfolio's overall investment grade credit positioning had a positive impact on performance.

The portfolio is positioned to be overweight financials and underweight industrials when measured in duration times spread terms.

Positions within investment grade financials were drivers of positive performance because of the overweights to banking and brokerage.

In addition, positions within investment grade industrials benefited performance, specifically the underweights to energy and basic industry.

The overweight in high yield positions had a marginally negative impact on performance.

The small underweight in duration positioning added to performance.

### Market Review

November performance was largely driven by a shift in risk sentiment, with spreads widening modestly as gross primary issuance came in materially higher than expected and equity volatility picked up.

Global "risk-free" yields were mixed in November. The German 10-year government bond yield closed 6 basis points (bps) higher at 2.69% while the 10-year U.S. government bond outperformed, closing 6 bps lower at 4.01%, driven mainly by benign macro/labour market data increasing the probability of a December rate cut from the Federal Open Market Committee.<sup>2</sup>

In the U.S., the 43-day federal shutdown ended late in the month when President Trump signed a package with three bills. Economic data during the shutdown period will still be impacted and delayed, with the Bureau of Labor Statistics yet to release an updated schedule. In the U.K., Chancellor Rachel Reeves presented her Autumn budget to parliament, with an overall positive market reaction, noting higher-than-expected fiscal headroom and the avoidance of inflation-raising tax measures, which could clear the way for more near-term rate cuts. The main negative was delaying the timeline of the consolidation plan, which will prolong questions on credibility. In Europe, Moody's upgraded Italy's sovereign rating one notch to Baa2 and moved the outlook to stable. The upgrade reflects a "consistent track-record of political and policy stability" which has enabled the successful implementation of economic reforms, with expectations that the debt burden will decline from 2027 onwards.

Global investment grade spreads closed the month 3 bps wider, driven by a weakening in technicals, as higher-than-expected primary issuance started to impact sentiment across both Europe and U.S.<sup>2</sup> European investment grade corporate spreads closed the month 6 bps wider at +83 bps, underperforming U.S. investment grade, which widened by 2 bps, closing the month at +80 bps.<sup>2</sup> European and U.S. swap spreads were wider, whilst synthetic/credit default swaps outperformed cash spreads. Within European investment grade sectors, industrials and utilities underperformed financials as elevated non-financial primary issuance weighed on spreads. Subordination risk performed broadly in line with the market, with subordinated financials 5 bps wider and corporate hybrids 6 bps wider.<sup>3</sup> By country, French and Italian risk marginally outperformed, the latter driven by a sovereign rating upgrade. By maturity, there was no material dispersion. Within U.S. investment grade sectors, utilities underperformed financials and industrials, although there was some dispersion within financial sectors with senior banks continuing to show great resilience whilst life insurance and financial services widened most. There was also some sector dispersion within U.S. industrials, with technology, airlines and basic industry widening most over the period whilst spreads on consumer non-cyclicals continued to grind tighter.

On the corporate news front, as third quarter earnings season came to a close (with no major surprises in November), merger and acquisition (M&A) announcements dominated newsflow in November. Deutsche Boerse entered in exclusive talks for the acquisition of Allfunds for €5.3 billion. According to the Financial Times, Orange, Bouygues and Iliad are weighing a new takeover bid for SFR including other assets from Altice France. Orange also agreed to a deal worth €4.25 billion to take full control of its Spanish joint venture MasOrange. Veolia agreed to buy Clean Earth for \$3 billion. Bloomberg reported that American Tower and EQT are evaluating a bid for TDF Infrastructure, which could be valued at €10 billion. AkzoNobel said that it plans to merge with Axalta

<sup>1</sup> Source: Morgan Stanley Investment Management. Data as of 30 November 2025.

<sup>2</sup> Source: Bloomberg L.P. Data as of 30 November 2025.

<sup>3</sup> Source: Bank of America (BofA). Data as of 30 November 2025.

Coating Systems in a deal that could create a combined company with an enterprise value of \$25 billion.

In the U.S., we saw a continuation of robust M&A activity driven by deregulation, high equity valuations and strong management team confidence. Kimberly-Clark agreed to acquire Kenvue, Johnson & Johnson's consumer health spin-off, in a \$48.7 billion deal to create a global health and wellness leader. Abbott announced its \$21 billion acquisition of Exact Sciences, expanding its diagnostics and cancer screening portfolio. In energy, SM Energy and Civitas merged in a \$12.8 billion transaction to form a major U.S. shale producer, while Clayton Dubilier & Rice moved to take Sealed Air private in a \$10.3 billion deal aimed at accelerating digital transformation in packaging.

On the technical front, European investment grade gross primary issuance came in materially higher than expected at €101 billion (vs. €60 billion expected), driven mainly by a pick-up in M&A and AI capital expenditure funding (issuance was heavily skewed toward non-financials).<sup>3</sup> That took year-to-date gross issuance to €749 billion (+16% year-on-year).<sup>3</sup> Demand for primary issuance remained high. However, given the sheer volume of issuance, new issue concessions picked up (5-7 bps on average).<sup>3</sup> Primary issuance is expected to meaningfully slow in December (a seasonally quiet month) with €6 billion forecast (split evenly between financials and non-financials).<sup>3</sup>

In U.S. investment grade, gross primary issuance came in at \$140 billion (vs. \$115 billion expected) driven by accelerated M&A funding (\$25 billion from Global Payments, Verizon, Pfizer) and ongoing hyperscaler issuance (\$32 billion from Amazon, Alphabet).<sup>3</sup> It was the largest November on record, continuing a three-month streak of record monthly issuance.<sup>3</sup> Year-to-date issuance reached \$1.65 trillion (+8% year-on-year), exceeding full-year estimates of approximately \$1.5 trillion with one month remaining.<sup>3</sup> On the demand side, inflows into the asset class continued (we continue to see run rates at record levels of inflows into European investment grade credit).<sup>3</sup>

## Portfolio Activity

No significant changes to note.

## Strategy and Outlook

### Strategy

In the portfolio, we continue our overweight position to credit risk, as we remain constructive on credit from a fundamentals perspective. We therefore prefer to take this position through default risk (duration times spread) rather than general market beta (spread duration).

We remain biased towards financials over non-financials. Financials continue to present strong fundamentals and attractive valuations relative to non-financial credits. We remain underweight industrials on concerns over continued downward ratings migration into BBBs, increased merger and acquisition risk, shareholder-interest focused activity (dividends and buybacks), technological disruption and increasing idiosyncratic news. We thematically prefer regulated business models over unregulated (i.e., utilities) to hedge these risks. We also remain selective in off-benchmark holdings of high yield and government-related bonds.

In terms of interest rate risk, we are marginally underweight in duration terms versus the benchmark. We also continue to look for new issues to take advantage of new opportunities in the primary market.

### Outlook

With global central banks progressing further into the easing cycle, fixed income markets are entering a more nuanced phase. Policy signals have become less uniform, and while inflation continues to trend lower, growth momentum is moderating unevenly across regions. This backdrop reinforces the importance of maintaining flexibility and emphasizing high quality income as markets adjust to shifting supply-demand dynamics and recalibrating term premia.

Across developed markets, we hold a neutral duration stance while expressing selective curve and cross-market views. In the U.S., we continue to favour steepening structures as long-end valuations remain sensitive to evolving fiscal and supply factors. Regional divergences present opportunity: we remain underweight Canada relative to the U.S. as its easing cycle matures, we're constructive on gilts following improved fiscal signals, and we see relative value in Australia versus New Zealand. Japan remains the key outlier, where rising term premia and evolving policy expectations support short duration positions and constructive breakeven positioning.

As year-end approaches, we remain cautiously constructive on investment grade credit. Corporate fundamentals are solid, with disciplined leverage and healthy liquidity, and we see limited downgrade or default risk in a moderate-growth backdrop. While November's record euro and U.S. supply briefly softened technicals, sustained inflows and strong demand suggest the overall technical environment remains supportive, though increasingly issuer- and sector-specific. We maintain a neutral duration stance and continue to favour curve steepeners amid shifting supply-demand dynamics. Carry remains the primary return driver, but tight spreads, heavy issuance pipelines and elevated M&A activity argue for ongoing selectivity. We favour issuers with robust balance sheets, low cyclicalities and resilient free cash flow profiles, particularly in regions where policy settings are supportive and fiscal risks contained.

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

<sup>3</sup> Source: Bank of America (BofA). Data as of 30 November 2025.

## Fund Facts

Launch date	14 November 2012
Base currency	U.S. dollars
Benchmark	Bloomberg Global Aggregate Corporate Index

## 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	9.59	1.74	9.39	-17.14	-2.93	11.08	13.93	-5.15	10.05	3.70	-3.64
Bloomberg Global Aggregate Corporate Index	10.00	1.10	9.61	-16.72	-2.89	10.37	11.51	-3.57	9.09	4.27	-3.56

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](http://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.
- 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](http://www.morganstanleyinvestmentfunds.com). All data as of 30.11.2025 and subject to change daily.

Applications for shares in the Sub-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](http://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. Luxembourg 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](http://Sustainable Finance Disclosure Regulation).

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