A Sub-Fund of Morgan Stanley Investment Funds

# Global Macro Fund

**EMERGING MARKETS DEBT 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 31 December 2024, the Fund's Z shares returned 1.54% (net of fees)[1], while the benchmark returned 0.40%.

Top contributors to the Fund's performance during the period included: a long Nigerian naira position, which was supported by an increase in crude oil production to 1.49 million barrels per day in November, the highest for any month since December 2020; a short South African rand position, which lagged following President-elect Trump's threats of 100% tariffs on BRICS[2] alliance countries in the wake of discussions about a new BRICS currency; a long Venezuelan sovereign credit position, as anxieties about the revocation of licenses granted to oil companies to operate in Venezuela heighten and political tensions intensify on the ground; a long New Zealand rates position, as the current global interest rate environment and the cyclical nature of the economy suggests the central bank may take a more dovish stance; and a short New Zealand dollar position, as New Zealand's exports experienced a strong rebound in the fourth quarter and the U.S. dollar strengthened throughout the month.

Top detractors from the Fund's performance included: a long South African rates position, as bonds sold off following President-elect Trump's threats of 100% tariffs on BRICS alliance countries; a long position in a basket of developed markets currencies, as the U.S. dollar continued to outperform given the slower expected path of interest rate cuts in the United States; a long Singapore dollar position, given broad currency weakness across Association of Southeast Asian Nations, where expectations of higher U.S. inflation, higher interest rates and ultimately a stronger U.S. dollar under a Trump presidency hurt performance; a long Sri Lankan sovereign credit position, after the nation launched a bond swap at the end of November, a major step in completing the debt restructuring; and a long British rates position, as U.K. inflation remained persistent.

## Market Review

Assets lagged in December as the U.S. Federal Reserve (Fed) cut interest rates again and the world continued to prepare for a second Trump administration. The Fed's decision marks a third consecutive rate cut, following a 25-basis point (bps) reduction in November and a more aggressive 50-bps reduction in September. This lowers the target range to 4.25%-4.5%. The U.S. dollar rose +2.60% in December according to the DXY dollar index, on expectations of continued economic strength under Trump — marking the third consecutive month of dollar outperformance. Across the pond, the European Central Bank also cut rates, despite hopes for a more dovish tone. This led to a sell-off of German bunds, which set a precarious backdrop for continued political uncertainty in France. The instability there continued as the Michel Barnier-led government collapsed after a vote of no confidence.

Across emerging markets, there were continued anxieties over the month about the potential policies of the incoming U.S. president. U.S. policy speculation and dollar strength particularly weighed on local emerging markets bonds, which underperformed with a return of -1.93%, as measured by the J.P. Morgan Government Bond Index-Emerging Markets Global Diversified. South Korea specifically experienced a substantial currency sell-off in the wake of political crisis and the enactment of martial law by suspended president Yoon Suk Yeol. The U.S. dollar-denominated sovereign and corporate emerging markets debt indexes — the J.P. Morgan EMBI Global Diversified Index and J.P. Morgan CEMBI Broad Diversified Index — were also down during the month, by -1.40% and -0.54%, respectively.

The year of elections closed in December with notable elections in Romania and Ghana. After ultranationalist candidate Călin Georgescu won the Romanian presidential election in November, Romania's top constitutional court annulled the results and called for a rerun in May. This instability, in combination with Romania being downgraded by Fitch, led to underperformance. Events in Ghana were less tumultuous, with former President Mahama beating the incumbent and ushering in the rule of the National Democratic Congress.

## Fund Facts

| | |
|---|---|
| Launch date | 06 May 2010 |
| Base currency | U.S. dollars |
| Benchmark | ICE BofA 3-Month T-Bill Index |

1 Source: Morgan Stanley Investment Management Limited. Data as of 31 December 2024.
2 The BRICS alliance countries are Brazil, Russia, India, China, South Africa, Egypt, Ethiopia, Indonesia, Iran and the United Arab Emirates.

## 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 | 10.47 | 10.47 | 8.81 | -0.30 | 2.80 | -- | -- | -- | -- | -- | -- |
| ICE BofA 3-Month T-Bill Index | 5.25 | 5.25 | 5.01 | 1.46 | 0.05 | -- | -- | -- | -- | -- | -- |

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 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 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, available at www.morganstanleyinvestmentfunds.com. All data as of 31.12.2024 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..

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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.

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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.

**JP 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). The index is market capitalization weighted, with a cap of 10% to any one country.

**The J.P. Morgan EMBI Global Diversified Index** tracks liquid, U.S. dollar emerging market fixed and floating-rate debt instruments issued by sovereign and quasi-sovereign entities.

The **US Dollar Index (DXY)** is an index of the value of the United States dollar relative to a basket of foreign currencies, often referred to as a basket of US trade partners' currencies.

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