

A Sub-Fund of Morgan Stanley Investment Funds

US Dollar Short Duration High Yield Bond Fund

HIGH YIELD TEAM

Performance Review

In the one month period ending 31 December 2025, the Fund's Z shares returned 1.00% (net of fees)¹, while the benchmark returned 0.57%.

Retailers and packaging were the Fund's top-performing sectors relative to the benchmark in December. Relative outperformance was driven by favorable credit selection and an underweight position. The primary individual contributor was a lack of exposure to a struggling department store chain. The company continues to come under pressure as investors question its liquidity and ability to pay its vendors and creditors. Further, the company missed an interest payment at the end of December. In packaging, relative outperformance was driven by sound credit selection and was led by an overweight position in a Canadian reusable packaging company. The company released third quarter earnings that were better than expected.

Gaming and cable & satellite were the Fund's worst-performing sectors relative to the benchmark during the month. Relative underperformance in gaming was driven by challenging credit selection and was led by a lack of exposure to a gaming operator that recently won one of three hotel casinos approved for New York City. The company's bonds rallied in December, though remain distressed. In cable & satellite, relative underperformance was driven by adverse credit selection and an underweight position. The primary individual detriment was selection within the capital structure of a U.S. cable operator. The company's bonds partially rebounded after underperforming in November, following the company's paydown of one of its loan facilities, which potentially allows it to take on additional debt that would negatively impact current lenders.

In terms of performance by ratings segment, credit selection and an overweight position in B-rated bonds contributed positively to relative performance. Sound credit selection in bonds rated CCC or below also added to relative returns. Conversely, an overweight position in bonds rated CCC or below detracted from relative performance.

Market Review

December was the strongest month in the fourth quarter for the U.S. and global high yield markets, capping a strong year. Investors' risk appetite generally improved amid a supportive backdrop that included a dovish outcome from the Federal Reserve's (Fed) December meeting, and a third quarter U.S. gross domestic product (GDP) print that far exceeded consensus expectations. Within U.S. high yield, inflows into retail funds, an elevated volume of called bonds, healthy rising star volume (bonds upgraded from high yield to investment grade) and a lack of fallen angels (bonds downgraded from investment grade to high yield) contributed to positive technical conditions that benefited trading levels in the primary and secondary markets. By the end of the year, the average yield settled approximately in line with the 10-year average, putting it near multiyear lows. The average spread ended the year 19 basis points (bps) off post-Global Financial Crisis (GFC) lows, reached in January 2025.²

The Bloomberg U.S. Corporate High Yield Index returned 0.57% in December. The yield-to-worst finished the month 4 bps lower at 6.53%. The spread-to-worst closed the period 5 bps lower at 292 bps.²

Performance across high yield sectors remained mostly positive for the one-month period. The top-performing sectors for the month were other basic industry, transportation, and banking, with respective returns of 1.02%, 0.81%, and 0.79%. The natural gas utility, consumer non-cyclical, and other financial sectors were the worst-performing sectors in December, with respective returns of -0.05%, 0.33%, and 0.40%.²

The middle-to-lower quality segments of the high yield market generally outperformed in December amid the improved appetite for risk. The B-rated segment led performance with a return of 0.89% for the one-month period. Meanwhile, the CCC and BB segments posted respective one-month returns of 0.67% and 0.41%.²

Total gross issuance decreased from \$24.9 billion in November to \$21.8 billion in December. By use of proceeds, refinancing increased to 76.8% of monthly issuance, acquisition-related financing decreased to 11.7%, and general corporate purposes accounted for approximately 11.1%. Lower-rated issuance increased modestly, though only accounted for 3.6% of issuance for the full year. U.S. high yield retail funds recorded a net inflow of approximately \$1.1 billion in December, bringing the net inflow for 2025 to \$18.3 billion. The high yield market experienced a net supply shortfall of approximately \$5.7 billion in December, contributing to a shortfall of \$12.9 billion for the full year.³

Default volume in leveraged credit remained elevated in December due to the large volume of liability management exercises (LMEs) that occurred during the month. According to J.P. Morgan, the high yield trailing 12-month par-weighted default rate including

¹ Source: Morgan Stanley Investment Management. Data as of 31 December 2025.

² Source: ICE Data Indices, Bloomberg L.P., Morgan Stanley Investment Management. Data as of 31 December 2025.

³ Source: J.P. Morgan. Data as of 5 January 2026.

distressed exchanges increased 4 bps, ending December at 1.88%. Excluding distressed exchanges, the rate increased to 0.99%, a 17-month high. For loans, the trailing 12-month par-weighted default rate including distressed exchanges decreased by 45 bps, closing the year at 2.87%. Excluding distressed exchanges, the rate settled at 1.46%.³

Strategy and Outlook

As we enter 2026, the high yield market finds itself on improved footing. In the year ahead, we anticipate an environment characterized by decent economic growth across much of North America and Europe, softening labor markets, elevated but likely declining core inflation, evolving monetary policy complicated by political pressure on central banks, and supportive fiscal policy in the U.S. ahead of the midterm elections. While 2026 will not be a year without volatility, we expect corporate balance sheets to largely remain resilient, with increasing dispersion in earnings, and valuations that adjust to more accurately reflect this reality. The average spread in high yield begins the year only marginally above post-GFC lows, and we expect this to adjust modestly wider as risk premium appropriately continues to transition from a beta-led compression trade to reflect a range of idiosyncratic outcomes. At the same time, we think the quality and health of high yield issuers, coupled with a historically attractive yield, should continue to attract global institutional capital.⁴ This outlook is informed by a thorough analysis of macroeconomic and fundamental factors, including the trajectory of U.S. and global economic growth, evolving monetary and fiscal policy, consumer health, issuer fundamentals, technical conditions, and valuations.

The resilience of the U.S. economy continues to surpass expectations, and even as we likely experience moderate deceleration in growth this year, we expect the backdrop to remain supportive. Bloomberg's consensus economic forecast (Bloomberg consensus) calls for 2.1% U.S. real GDP growth in 2026 and 2027.⁵ This estimate is broadly in line with the Fed's Summary of Economic Projections released in December, where the median forecast called for 2.3% U.S. real GDP growth in 2026, followed by 2.0% in 2027.⁶ The trajectory of the Institute for Supply Management (ISM) Services Purchasing Managers' Index (PMI) is also supportive, with the December report for November solidly in expansion territory at 52.6, an increase of 0.2 month-over-month.⁷ Additional notable factors that we think will likely play a supportive role in 2026 include growth in exports and a meaningful drop in imports, consumer support from the 2025 tax and spending bill, an improving housing market, and continued growth in services. Bloomberg consensus forecasts growth in new and existing home sales and building permits in 2026, after consistent contraction in the balance of these metrics over the last several years.⁵ This has been a particular weak spot in U.S. economic activity amid elevated interest rates, and this improvement should feed through to associated sectors of the economy, particularly building products. These supportive indicators are balanced against several indicators that should give investors reason for caution. The ISM Manufacturing PMI for November indicated consistent contraction in manufacturing activity for nine months, showing a month-over-month deceleration of 0.5 to 48.2, with backlog of orders and manufacturing labor two areas of particular weakness.⁷ Softening labor conditions were also clearly evident in the December U.S. Bureau of Labor Statistics (BLS) report, with the unemployment rate touching more than a four-year high in November at 4.6%, and the government's U-6 underemployment rate reaching a new cycle high of 8.5%.⁸ Labor conditions warrant ongoing monitoring; however, we assess the lion's share of softening in the labor market to be in the rear view, and we expect some stabilization in the context of current levels in 2026.

Growth in Europe and the U.K. appears to have stabilized in 2025 after a period of softness, with the expectation for slightly slower, still positive growth in 2026 and some level of reacceleration in 2027. Bloomberg consensus calls for real GDP in the European Union (EU) of 1.6% in 2025 to slow slightly to 1.4% in 2026, before returning to 1.6% in 2027.⁵ There is a similar trend in expectations for the United Kingdom, where growth is expected to slow from 1.4% in 2025 to 1.1% next year, returning to 1.4% in 2027.⁵ In early December, the Organisation for Economic Co-operation and Development released its growth outlook for 2026, showing growth projections of 1.7%, 1.2%, and 1.2% in the U.S., U.K., and euro area, respectively.⁹

Global central banks continue to navigate a precarious period, with disparate and uncertain inflation backdrops across regions. In the U.S., the Fed's December median projections showed the core personal consumption expenditures (PCE) price index slowing from an expected 3.0% in 2025 to 2.5% in 2026.⁶ This expected trajectory, coupled with a weakening labor market that is expected to stabilize in 2026, prompted the Fed to reduce its key policy rate by a quarter-point in December, and contributed to median Fed expectations of approximately one additional interest rate cut in 2026.⁶ Meanwhile, market pricing calls for approximately two cuts in 2026.⁵ Later in December, an arguably distorted BLS report on inflation for the month of November supported this path, registering well below expectations with a core inflation reading of 2.6%. In Europe, inflation appears lower relative to both the U.S. and the U.K., and current monetary policy reflects this. In November, core inflation in the EU was approximately 2.4%, unchanged from the prior month, with the expectation of softening to 1.9% in 2026.¹⁰ The European Central Bank (ECB) maintained its key policy rate at 2.0% in December. In the U.K., the consumer prices index including owner occupiers' housing costs (CPIH) reportedly decreased from 3.8% in October to 3.5% in November.¹¹ Though moving in the right direction, this preferred measure of inflation remains historically high.¹¹ Consensus expectations are that inflation will continue to decline in 2026, toward the Bank of England's 2% target.⁵ The Bank of England made the decision to reduce its key policy rate to 3.75% in December. While the paths of monetary policy for certain central banks has recently shown relative consistency, the risk of stickier inflation in certain regions, divergence in

³ Source: J.P. Morgan. Data as of 5 January 2026.

⁴ Source: ICE BofA U.S. High Yield Index, Morgan Stanley Investment Management. Data as of 31 December 2025.

⁵ Source: Bloomberg L.P.: Consensus Economic Forecast, Bloomberg World Interest Rate Pricing. Data as of 5 January 2026.

⁶ Source: Federal Reserve Summary of Economic Projections. Data as of 10 December 2025.

⁷ Source: Institute for Supply Management. Data as of 3 December 2025.

⁸ Source: U.S. Bureau of Labor Statistics. Data as of 16 December 2025.

⁹ Source: Organisation for Economic Co-operation and Development. Data as of 2 December 2025.

¹⁰ Source: European Central Bank Data Portal. Data as of 2 December 2025.

¹¹ Source: United Kingdom's Office for National Statistics. Data as of 17 December 2025.

growth backdrops, and the possibility of political influence in an election year has the potential to cause some level of divergence in policy paths in 2026.

U.S. consumer health remains a focal point, especially for lower-end cohorts; however, we are encouraged by recent signs of stabilization. The delinquency rate on credit card loans decreased to 2.98% in the third quarter of 2025, relative to a peak of 3.22% in the second quarter of 2024. At the same time, the delinquency rate on consumer loans decreased to 2.72% in the third quarter from 2.75% in the prior quarter, and relative to a peak of 2.77% in the first quarter of 2025.¹² Both of these metrics remain near levels last reached in 2012, but current trends suggest stabilization. This encouragement is tempered, however, by consumer sentiment, which we would generally characterize as weak. The Conference Board's Consumer Confidence Survey fell sharply in November to 88.7, from 95.5 in October, reaching its lowest level since peak post-tariff announcement hysteria in April.¹³ Consumer expectations regarding both business conditions over the next six months and labor market conditions in mid-2026 were remarkably poor. Consumer confidence can be somewhat fickle, however, and we expect to see some improvement in the near term, based in part on the Trump administration's expected push to bolster public approval leading into the midterm elections.

The fundamentals of high yield issuers remain relatively healthy in a historical context, and, in aggregate, third quarter earnings released in the fourth quarter depict modest improvement. Top- and bottom-line growth remained positive but have failed to break out of the low single digits for the balance of the last two years. Earnings margins improved to their highest level since the first quarter of 2024, leverage remained slightly above average but decreased sequentially, and interest coverage remained slightly below average, though also exhibited slight improvement. According to J.P. Morgan, third quarter earnings released in the fourth quarter showed revenue growth of 4.0% and EBITDA¹⁴ growth of 1.7%.¹⁵ At the same time, profit margins strengthened in the third quarter for the first time in nearly two years, increasing from 14.5% to 15.5%, relative to a recent peak of 16.5% in the first quarter of 2023.¹⁵ Earnings across sectors remained significantly bifurcated, with the notable laggards being transportation, media and automotive, with transportation experiencing a year-over-year earnings decline of nearly 20%.¹⁵ At the same time, metals & mining, technology, and services experienced strong growth. The average leverage (debt-to-EBITDA ratio) of high yield issuers remained healthy, though above average in a historical context, and decreased from 4.40x to 4.37x in the third quarter.¹⁵ Telecommunications, automotive and transportation are the most aggressively levered sectors in high yield. Meanwhile, interest expense increased only 2.1% for the trailing 12-month period ending 30 September, and coverage (EBITDA-to-interest expense) improved from 4.12x to 4.18x.¹⁵ Though well below post-pandemic peaks, interest coverage of high yield issuers remains healthy and only modestly below the long-term average.¹⁵ Moving forward in 2026, we will be closely watching the fundamentals of high yield issuers for any signs of material degradation. On average, we expect the fundamentals to remain supportive, but there are clear pockets of weakness that warrant scrutiny.

The pace of primary issuance in the high yield market remained seasonally elevated in the fourth quarter while slowing significantly quarter-over-quarter. Ultimately, the fourth quarter saw healthy issuance characterized by a high level of refinancing activity, contributing to a total gross issuance volume of \$65.4 billion in the fourth quarter and \$332 billion for the full year.³ With limited exceptions, issuers generally found a receptive investor base. The quality of fourth quarter issuance remained high, with approximately 70% of issuance rated split-BB (rated BB by at least one major rating agency) or higher.³ Lower-rated issuance remained remarkably limited. While a single quarter of limited issuance from lower-rated issuers is not statistically significant, CCC issuance has not broken above 5% since 2022.³ It bears watching given the greater portion of CCC-rated bonds that mature in the next two to three years relative to the single-B or BB-rated segments. Approximately 33% of outstanding CCC-rated bonds mature before January 2029.⁴ In 2026, we expect gross issuance to increase by approximately 15%. Refinancing volume is expected to grow slightly as issuers look to term out debt at financing costs that most expect to be marginally more attractive. We expect the primary driver of increased issuance in 2026 will likely be an approximate doubling in the volume of acquisition financing-related issuance, which would represent a year-over-year increase to 20%-25% of gross volume. This will likely be driven, in part, by an elevated volume of previously announced acquisitions that need to be financed in 2026, and a continued theme of consolidation within certain sectors in the crosshairs of deregulation. The increase in net issuance, and the elevated level of lower-rated debt maturing over the course of the next two years, should result in increased dispersion within the high yield primary market, and likely the secondary market as well, particularly within lower-rated capital structures. We welcome the prospect of enhanced idiosyncratic differentiation. While we expect net issuance to increase in 2026, we anticipate a supportive technical balance as global institutional demand for high yield credit should remain supportive, based on the combination of historically attractive yield coupled with record credit quality and adequate fundamental health.

The volume of LMEs among high yield bond and leveraged loan issuers increased in the fourth quarter. Traditional defaults in high yield bonds also ticked higher, while the aggregate volume of LMEs and traditional defaults remained well below long-term averages. The trailing 12-month par-weighted default rate for high yield issuers, inclusive of distressed exchanges, increased from 1.39% at the end of the third quarter to 1.88% by year-end.³ The same metric for loan issuers fell to 2.87%.³ It is worth noting that LME activity across leveraged credit decreased significantly in 2025, but for the trailing two-year period, LME volume was higher than during any other two-year period. Over the next several quarters, our base case is that default and LME activity will remain

³ Source: J.P. Morgan. Data as of 5 January 2026.

⁴ Source: ICE BofA U.S. High Yield Index, Morgan Stanley Investment Management. Data as of 31 December 2025.

¹² Source: Board of Governors of the Federal Reserve System. Data as of 21 November 2025.

¹³ Source: The Conference Board: Consumer Confidence Survey. Data as of 25 November 2025.

¹⁴ Earnings before interest, taxes, depreciation and amortization.

¹⁵ Source: J.P. Morgan. Data as of 11 December 2025.

elevated, with a notable contribution coming from companies that have executed an LME over the past couple of years in an unsuccessful bid to fix their capital structure. LMEs accounted for 48% of default volume in 2025 and 68% of default volume in 2024.³ Approximately half of all LMEs re-default in the subsequent three years, with the subsequent default resulting in lower recovery rates.¹⁶ 40% of default actions in 2025 and 35% of default actions in 2024 were from companies that had previously defaulted or completed a LME.³ We expect the default rate for high yield bonds inclusive of distressed exchanges to remain below the long-term average and likely finish 2026 in the context of 2%-2.5%. Meanwhile, credit risk in private credit is notably higher. According to Bank of America Global Research, the current issuer-weighted default rate in private credit, including distressed exchanges and non-accruals, ended the year above 5%. Private credit also carries more artificial intelligence (AI) disruption risk, with technology sector exposure of over 20%, 80% of which are software companies.¹⁷

We begin 2026 with an average yield and spread in close proximity to 2025 starting levels, despite intra-period volatility. At year-end 2025, the average spread was approximately 20 bps above post-GFC lows, reached in January 2025, and the average yield was approximately in line with the 10-year historical average.⁴ Additionally, yield per unit of duration increased in 2025, ending the year approximately 10% above the long-term average, as the average yield remained historically high and the average duration decreased.⁴ The notable compression in the incremental spread relationship between the CCC and single-B segments that took place in the third quarter reversed in the fourth quarter, as lower-rated credit underperformed.⁴ This relationship widened from 510 bps at the beginning of the fourth quarter to 577 bps at quarter-end.⁴ We believe valuations across several segments of the high yield market adjusted closer to fair value in the fourth quarter, more accurately reflecting the many risks facing our market. This decompression trade is likely to continue and, at the ICE BofA U.S. High Yield Index level, we expect to reach modestly wider peak spreads in 2026. The increase in dispersion in the high yield market in the final months of the year also created opportunity. We continue to identify idiosyncratic situations to capture spread compression, even in segments where we think valuations at the sector level are full. Additionally, we anticipate an increase in net issuance volume, and acquisition-related financing in particular, will likely lead to interesting relative value opportunities in the primary market and also potentially lead to wider spreads in the secondary market, within select segments of the high yield market. At the sector level, we continue to evaluate new opportunities in more cyclical segments that appear to be at or near cycle troughs. A prime example is the building materials sector. Finally, we believe there remains opportunity in challenged segments where neatly structured covenants, adequate loan-to-value ratios, and appropriate risk compensation form to represent compelling investment opportunities.

Our strategy remains slightly under-risked relative to the Bloomberg U.S. Corporate High Yield Index, based on a duration-times-spread (DTS) ratio modestly below 1. We think the slightly more conservative positioning should continue to benefit our investors in times of market turbulence, and complementing this core with sizable opportunistic positions in high conviction situations should provide attractive positive convexity as these idiosyncratic credit stories play out. Despite our expectation for additional spread widening, we remain encouraged by the fact that credit quality remains near record highs, with over 57% of the high yield bond market rated BB and less than 10% rated CCC or lower.⁴ Additionally, average duration is more than a year below the long-term average.⁴ This was certainly not the case in 2007. We believe that our current risk positioning is justified, all-in yield remains historically appropriate, and yield per unit of duration appears compelling. At the same time, credit risk is increasing and complacency will likely continue to be penalized. We will focus our holdings in segments where we believe growth and free cash flow are most durable and convexity remains most attractive.

In conclusion, we are transitioning into an environment where we expect growth in the U.S. to slow from the surprising high level experienced over the last few quarters, but ultimately remain supportive, and where we think the trajectory of inflation and labor data will likely remain top of mind and the primary sources of episodic volatility. Fundamentals and technical conditions remain largely favorable and, on average, yield compensation is broadly appropriate. A modest increase in spread dispersion in the fourth quarter was both welcome and presented opportunity; however, average spreads remain in close proximity to post-GFC lows, leaving valuations exposed to future bouts of volatility. We expect 2026 will likely be a competitive period for high yield, where starting yield ultimately generates attractive return, while average spreads move modestly wider. Geopolitical tensions in the Middle East, Eastern Europe and South America remain elevated, and the evolving situation in Venezuela presents the possibility for deterioration or successful conclusion. Meanwhile, legislative dysfunction continues to stymie the passage of meaningful legislation, funding-related or otherwise, in the U.S., and the midterm elections will likely add to the political circus. Amid an uncertain and potentially volatile backdrop, we will continue to spend our time concentrating on what we do best — focusing on bottom-up fundamental credit analysis with a discerning eye on relative value, as we seek to generate positive risk-adjusted alpha for our clients.

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

Fund Facts

Launch date	04 December 2014
Base currency	U.S. dollars
Benchmark	Bloomberg US High Yield 1-5 Year Cash Pay 2% Issuer Capped Index

³ Source: J.P. Morgan. Data as of 5 January 2026.

⁴ Source: ICE BofA U.S. High Yield Index, Morgan Stanley Investment Management. Data as of 31 December 2025.

¹⁶ Source: Goldman Sachs. Data as of 12 September 2025.

¹⁷ Source: Bank of America Global Research. Data as of 18 September 2025.

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 Z Shares	7.87	7.87	9.49	11.04	-8.96	6.10	4.35	10.65	1.06	7.24	13.27
Bloomberg US High Yield 1-5 Year Cash Pay 2% Issuer Capped Index	7.81	7.81	8.64	12.20	-5.90	6.07	4.49	9.88	0.12	6.38	16.19

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.

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://MorganStanleyInvestmentFundsWebpages) 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 from the Prospectus of the Fund.

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

This 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

- 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 31.12.2025 and subject to change daily.

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.

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.

This material may be translated into other languages. 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.

Forecasts and/or estimates provided herein are subject to change and may not actually come to pass. Information regarding expected market returns and market outlooks is based on the research, analysis and opinions of the authors or the investment team. These conclusions are speculative in nature, may not come to pass and are not intended to predict the future performance of any specific strategy or product the Firm offers. Future results may differ significantly depending on factors such as changes in securities or financial markets or general economic conditions.

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

INDEX INFORMATION

Bloomberg US High Yield 1-5 Year Cash Pay 2% Issuer Capped

Index: is an issuer-constrained version of the Bloomberg US Corporate High-Yield Index that measures the market of USD denominated, noninvestment-grade, fixed-rate, taxable corporate bonds. The index follows the same rules as the uncapped index but only includes issues with a 1-5 year maturity and limits the exposure of each issuer to 2% of the total market value and redistributes any excess market value index-wide on a pro-rata basis.

The index is unmanaged and does not include any expenses, fees or sales charges. It is not possible to invest directly in an index.

Any index referred to herein is the intellectual property (including registered trademarks) of the applicable licensor. Any product based on an index is in no way sponsored, endorsed, sold or promoted by the applicable licensor and it shall not have any liability with respect thereto. The Sub-Fund is actively managed, and the management of the fund is not constrained by the composition of the Benchmark.

"Bloomberg®" and the Bloomberg Index/Indices used are service marks of Bloomberg Finance L.P. and its affiliates, and have been licensed for use for certain purposes by Morgan Stanley Investment Management (MSIM). Bloomberg is not affiliated with MSIM, does not approve, endorse, review, or recommend any product, and does not guarantee the timeliness, accurateness, or completeness of any data or information relating to any product.

The **Bloomberg U.S. Corporate High Yield Index** measures the market of USD-denominated, non-investment grade, fixed-rate, taxable corporate bonds. Securities are classified as high yield if the middle rating of Moody's, Fitch, and S&P is Ba1/BB+/BB+ or below. The Index excludes emerging market debt.

ICE® BofA® U.S. High Yield Index is an unmanaged index of below-investment grade U.S. corporate bonds. ICE® BofA® indices are not for redistribution or other uses; provided "as is", without warranties, and with no liability.

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 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 Advisers International Ltd, Calvert Research and Management, Eaton Vance Management, Parametric Portfolio Associates LLC, Atlanta Capital Management LLC and Parametric SAS.

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) Authorised and regulated by the Eidgenössische Finanzmarktaufsicht ("FINMA"). Registered Office: Beethovenstrasse 33, 8002 Zurich, Switzerland.

Saudi Arabia: This document may not be distributed in the Kingdom except to such persons as are permitted under the Investment Funds Regulations issued by the Capital Market Authority. The Capital Market Authority does not make any representation as to the accuracy or completeness of this document, and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this document. Prospective subscribers of the securities offered hereby should conduct their own due diligence on the accuracy of the information relating to the securities to be offered. If you do not understand the contents of this document, you should consult an authorised financial adviser.

This financial promotion was issued and approved for use in Saudi Arabia by Morgan Stanley Saudi Arabia, Al Rashid Tower, Kings Sand Street, Riyadh, Saudi Arabia, authorized and regulated by the Capital Market Authority license number 06044-37.

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.