

Morgan Stanley Investment Funds

European High Yield Bond - ZX Shares (Distributing Share Class)

Investment Objective

To generate income and the long term growth of your investment.

Investment Approach

Seeks to provide an attractive rate of return, measured in euro, through investments worldwide primarily in lower rated and unrated fixed income securities issued by governments, agencies and corporations that offer a yield above that generally available on debt securities in the four highest rating categories of S&P or Moody's denominated in European currencies.

Investment Team

	JOINED FIRM	YEARS OF INVESTMENT EXPERIENCE
Sarah Harrison, Executive Director	2009	12
Leon Grenyer, Managing Director	2002	25

Team members may be subject to change at any time without notice.

Sarah Harrison became the Lead Portfolio Manager of the fund in 2019.

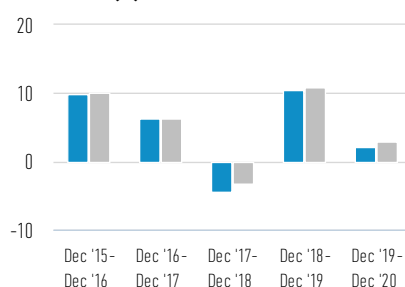
Class ZX Shares (% net of fees) vs. Index in EUR

Performance of 100 EUR Invested Since Inception (Cash Value)



— Class ZX Shares
— ICE BofAML European Currency High Yield 3% Constrained Ex-Sub Financials Index

12 Month Performance Periods to Latest Month End (%)



■ Class ZX Shares
■ ICE BofAML European Currency High Yield 3% Constrained Ex-Sub Financials Index

Investment Performance (% net of fees) in EUR

	Cumulative (%)			Annualised (% p.a.)				
	1 M	3 M	YTD	1 YR	3 YR	5 YR	10 YR	INCEPTION
Class ZX Shares	0.92	6.40	2.19	2.19	2.57	4.74	--	4.73
ICE BofAML European Currency High Yield 3% Constrained Ex-Sub Financials Index	0.81	5.53	2.82	2.82	3.31	5.21	--	4.88

Calendar Year Returns (%)

	2020	2019	2018	2017	2016	2015	2014
Class ZX Shares	2.19	10.55	-4.48	6.36	9.84	1.39	4.47
ICE BofAML European Currency High Yield 3% Constrained Ex-Sub Financials Index	2.82	10.95	-3.34	6.22	10.07	0.85	4.62

Past performance is not a reliable indicator of future results. Returns may increase or decrease as a result of currency fluctuations. 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 units. The sources for all performance and Index data is Morgan Stanley Investment Management.

The Blended Index performance shown is calculated using the ICE BofAML European Issuers High Yield Index from inception through 31 July 2002, the ICE BofAML European Currency Constrained High Yield Index to 31 March 2009 and the ICE BofAML European Currency High Yield 3% Constrained Ex-Sub Financials Index thereafter.

This Fund was reconstructed in December 1998. Original inception: May 1997.

Share Class

	CLASS ZX
Currency	Euro
ISIN	LU0360611460
Bloomberg	MSECHZX LX
Inception date	22 January 2013
Net asset value	€ 25.21

Fund Facts

Launch date	01 December 1998
Base currency	Euro
Index	ICE BofAML European Currency High Yield 3% Constrained Ex-Sub Financials Index
Total net assets	€ 830.22 million
Structure	Luxembourg SICAV

Charges (%)

	CLASS ZX
Max Entry Charge	1.00
Ongoing Charges	0.65
Management Fee	0.50

Entry Charge is a maximum possible figure. In some cases you might pay less, you can find this out from your financial adviser. Ongoing Charges reflect the payments and expenses incurred during the fund's operation and are deducted from the assets of the fund over the period. It includes fees paid for investment management (Management Fee), trustee/custodian, and administration charges. For more information please see the Charges and Expenses section of the prospectus.

Subscriptions (USD)

	CLASS ZX
Minimum initial investment	0
Minimum subsequent Investment	0

Statistics

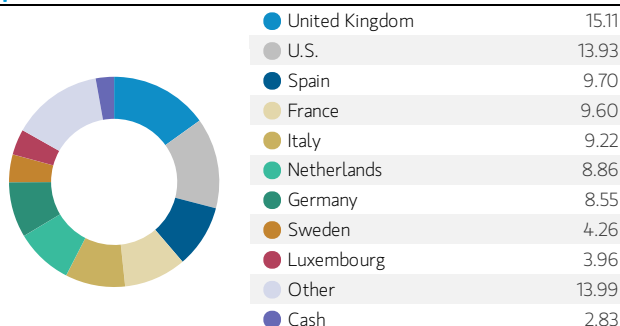
(3 Year Annualised)	CLASS ZX	INDEX
Excess Return (%)	-0.74	--
Alpha (%)	-1.84	--
Beta	1.30	1.00
Information ratio	-0.23	--
R squared	0.98	1.00
Sharpe ratio	0.23	0.38
Tracking error (%)	3.27	--
Volatility (Standard deviation) (%)	12.66	9.68

Characteristics

	FUND	INDEX
Duration (years)	3.16	3.50
Average yield to maturity (%)	3.99	3.03
Number of holdings	174	737

Top Countries (% of Total Net Assets)¹

FUND

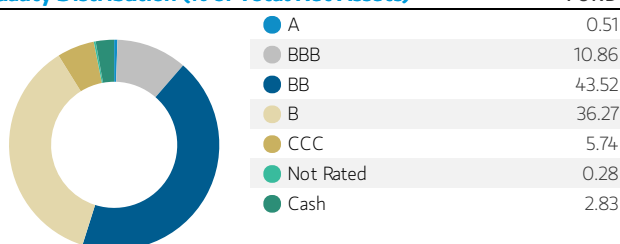
**Sector Allocation (% of Total Net Assets)^{1,2}**

PORTFOLIO

Sector	Percentage
High Yield Corporates	89.62
Industrial	73.52
Basic Industry	4.88
Capital Goods	11.48
Communications	16.67
Consumer Cyclical	18.05
Consumer Non-Cyclical	10.18
Energy	0.99
Technology	1.99
Transportation	5.92
Industrial Other	3.36
Utility	2.33
Financial Institutions	13.77
Banking	7.22
Finance Companies	0.61
Insurance	0.80
Financial Other	5.13
Emerging Markets	1.11
Investment Grade Corporates	3.84
NR Corporates	0.28
Convertibles	0.43
Non US Government	0.90
ETFs	0.99
Cash & Equivalents	2.83

Quality Distribution (% of Total Net Assets)^{1,3}

FUND

**Share Class ZX Risk and Reward Profile**

Lower Risk

Higher Risk



Potentially Lower Rewards

Potentially Higher Rewards

The risk and reward category shown is based on historic data.

- Historic figures are only a guide and may not be a reliable indicator of what may happen in the future.
- As such this category may change in the future.
- The higher the category, the greater the potential reward, but also the greater the risk of losing the investment. Category 1 does not indicate a risk free investment.
- The fund is in this category because it invests in fixed income securities and the fund's simulated and/or realised return has experienced medium rises and falls historically.
- The fund may be impacted by movements in the exchange rates between the fund's currency and the currencies of the fund's investments.

This rating does not take into account other risk factors which should be considered before investing, these include:

- 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.
- 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.
- 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.

Additional Z Share Classes

	CURRENCY	LAUNCH	ISIN	BLOOMBERG
Z	EUR	09.07.2008	LU0360481153	MORITBZ LX
ZH (USD)	USD	16.06.2020	LU0360481237	MSECHZH LX
ZHX (GBP)	GBP	11.06.2019	LU2008186285	MSECHZX LX

¹ May not sum to 100% due to the exclusion of other assets and liabilities.² For additional information regarding sector classification/definitions please visit www.msci.com/gics and the glossary at www.morganstanley.com/im.³ Quality distribution data for securities is sourced from Fitch, Moody's and S&P. Where the credit ratings for individual securities differ between the three ratings agencies, the 'highest' rating is applied. The rating of credit default swaps is based on the 'highest' rating of the underlying reference bond. 'Cash' includes investments in short term instruments, including investments in Morgan Stanley liquidity funds.

Please refer to the Prospectus for full risk disclosures, available at www.morganstanleyinvestmentfunds.com. All data as of 31.12.2020 and subject to change daily.

DEFINITIONS

Alpha (Jensen's) is a risk-adjusted performance measure that represents the average return on a portfolio or investment above or below that predicted by the capital asset pricing model (CAPM) given the portfolio's or investment's beta and the average market return. Prior to 6/30/2018 Alpha was calculated as the excess return of the fund versus benchmark. **Average yield to maturity** measures the annual return on interest-bearing securities. In this it is assumed that they will be held to maturity. This metric includes both the coupon payments received during the term of the security and the repayment of the capital on maturity. **Beta** is a measure of the relative volatility of a fund to the market's upward or downward movements. A beta greater than 1.0 identifies an issue or fund that will move more than the market, while a beta less than 1.0 identifies an issue or fund that will move less than the market. The Beta of the Market is always equal to 1. **Bloomberg** stands for 'Bloomberg Global Identifier (BBGID)'. This is a unique 12 digit alphanumeric code designed to enable the identification of securities, such as the Morgan Stanley Investment Funds sub-funds at share class level, on a Bloomberg Terminal. The Bloomberg Terminal, a system provided by Bloomberg L.P., enables analysts to access and analyse real-time financial market data. Each Bloomberg code starts with the same BBG prefix, followed by nine further characters that we list here in this guide for each share class of each fund. **Cash & Equivalents** are defined as the value of assets that can be converted into cash immediately. These include commercial paper, open FX transactions, Treasury bills and other short-term instruments. Such instruments are considered cash equivalents because they are deemed liquid and not subject to significant risk of changes in values. **Duration** is a measure of the sensitivity of the price (the value of principal) of a fixed-income investment to a change in interest rates. Duration is expressed as a number of years. Rising interest rates mean falling bond prices, while declining interest rates mean rising bond prices. **Excess Return** or value added (positive or negative) is the portfolio's return relative to the return of the benchmark. **Information ratio** is the portfolio's alpha or excess return per unit of risk, as measured by tracking error, versus the portfolio's benchmark. **ISIN** is the international securities identification number (ISIN), a 12 digit code consisting of numbers and letters that distinctly identifies securities. **NAV** is the Net Asset Value per share of the Fund (NAV), which represents the value of the assets of a fund less its liabilities. **Number of holdings** provided are a typical range, not a maximum number. The portfolio may exceed this from time to time due to market conditions and outstanding trades. **R squared** measures how well an investment's returns correlate to an index. An R squared of 1.00 means the portfolio performance is 100% correlated to the index's, whereas a low r-squared means that the portfolio performance is less correlated to the index's. **Sharpe ratio** is a risk-adjusted measure calculated as the ratio of excess return to standard deviation. The Sharpe ratio determines reward per unit of risk. The higher the Sharpe ratio, the better the historical risk-adjusted performance. **Tracking error** is the standard deviation of the difference between the returns of an investment and its benchmark. **Volatility (Standard deviation)** measures how widely individual performance returns, within a performance series, are dispersed from the average or mean value.

INDEX INFORMATION

The **ICE BofAML European Currency Constrained high yield index**: The index is designed to track the performance of euro- and British pound sterling-denominated below investment grade corporate debt publicly issued in the eurobond, sterling domestic or euro domestic markets by issuers around the world.

The **ICE BofAML European Currency High Yield 3% Constrained Ex-Sub Financials Index**: contains all non-Sub Financial securities in the ICE BofAML European Currency High Yield Index but caps issuer exposure at 3%. Index constituents are capitalization-weighted, based on their current amount outstanding, provided the total allocation to an individual issuer does not exceed 3%.

The **ICE BofAML European Issuers High Yield Index**: The index is designed to track the performance of USD, EUR and GBP denominated below investment grade corporate debt publicly issued by European corporations in the US, sterling or euro domestic or the eurobond markets.

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