

This statement provides you with key information about this product.

This statement is a part of the offering document.

You should not invest in this product based on this statement alone.

QUICK FACTS

Management Company	Morgan Stanley Investment Management (ACD) Limited
Investment Manager (Investment Adviser)	Morgan Stanley Investment Management Limited located in the United Kingdom
Sub Adviser	Morgan Stanley Investment Management Inc. located in the United States of America (internal delegation)
Depository	J.P. Morgan Bank Luxembourg S.A.
Ongoing Charges over a year (*)	Classes A, AX: 1.99% Classes AH, AHX: 2.03% Classes C, CX: 2.69% Classes CH, CHX: 2.73%
Dealing frequency	Daily, each Luxembourg Business Day
Dividend Policy	No dividends will be distributed (income/capital gains will be reinvested) for classes A, AH, C, CH. Dividends if any will be distributed quarterly for classes AHX, AX, CHX, CX.
Base currency	EUR
Financial year end of this sub-fund	31 December
Min. investment	No minimum initial and additional investment amounts

(*): The ongoing charges figure is based on the revised fee structure adopted by the sub-fund on 1 March 2017 and provides an estimate of the total expenses of each class of the sub-fund from this date. It is based on the fees described in the section on ongoing fees payable by the sub-fund within this KFS together with Specific Additional Costs including tax d'abonnement and hedging expenses, where applicable. These fees and the ongoing charges figure may vary from time to time. It excludes almost all costs of dealing in the sub-fund's underlying investments. For more information, please see the "Charges and Expenses" section of the Prospectus.

WHAT IS THIS PRODUCT?

Morgan Stanley Investment Funds Diversified Alpha Plus Fund is a sub-fund of Morgan Stanley Investment Funds which is constituted in the form of a mutual fund. It is domiciled in Luxembourg and its home regulator is the Commission de Surveillance du Secteur Financier (CSSF).

OBJECTIVES AND INVESTMENT STRATEGY**Objective**

The Diversified Alpha Plus Fund's investment objective is to provide an absolute return, measured in Euros, while actively managing total portfolio risk. The Investment Adviser seeks to manage downside risks and targets below market volatility.

Strategy

The Investment Adviser's approach to asset allocation decisions will include a top-down, global macroeconomic and thematic investment approach that focuses on asset class, sector, region and country selection, as opposed to individual stock selection, and will make such allocation decisions without regard to any particular limit as to geographical location, sector, credit rating, maturity, currency denomination or market capitalisation. The allocation will be the result of views taken by the Investment Adviser taking into account results of its fundamental market research and recommendations supported by its quantitative macroeconomic and market data.

The sub-fund will invest in equity baskets, bonds, ETFs, and derivatives. The sub-fund may take both long and short positions, either directly or (specifically in the case of short positions) through the use of derivatives as described below, in a diversified range of equity and equity related securities of any market capitalisation, Fixed Income Securities, currencies and commodities. The sub-fund will only take indirect exposure to commodities, by investing into eligible structured products such as commodity-linked notes the underlying of which are commodity indices and/or sub-indices and/or derivative instruments referencing one or more commodity indices qualifying as financial indices under UCITS Regulations. When using such indices, the sub-fund must comply with the diversification limits set out in the UCITS Regulations: each component of a financial index may represent up to 20% of the index, except that in exceptional market circumstances one single component may represent up to 35% of the index.

The sub-fund may make extensive use of derivatives, including exchange traded and over-the-counter options, futures, forwards and swaps, for investment purposes. Derivatives are used to both hedge positions and as part of the active strategy. Derivatives are used as a hedge when adjusting currency exposure and when implementing hedged or paired trades. Derivatives are as part of the active strategy to establish an asset-class exposure (equities, bonds, commodities, and currencies) and to execute a change in the overall asset allocation strategy of the portfolio. The use of derivatives may involve increasing exposure to a market (long exposure) or decreasing exposure to a market (short exposure). In considering which instruments to use for implementation of our allocations, the Investment Adviser considers a variety of criteria, including investment guidelines, performance, volatility contribution, liquidity measures, implementation costs, and suitability of the instruments in the portfolio. Commodities exposure will be achieved either through commodity-linked notes, the underlying of which are commodity indices and/or sub-indices linked to the value or movement of the returns of a commodity or basket of commodities, or commodity derivatives contracts.

The risk level of the sub-fund is monitored daily. The expected level of gross leverage of the sub-fund, calculated using the sum of notionals of the derivatives used is expected to be 500% of the sub-fund's net asset value. The expected leverage of the sub-fund, calculated as the net exposure (using the "commitment approach") arising from the sub-fund's use of standard or embedded derivative instruments, is expected to be 400% of the sub-fund's net asset value. The expected leverage disclosure is given as indicative information only and there may be occasions when the realized leverage is higher than the expected leverage. This may happen if the total value of derivatives increases relative to the value of non derivative securities. For example this may happen if, in exercise of its investment discretion, the Investment Adviser transacts an above average number of hedging trades on currencies and spread trades involving simultaneous purchases of securities and sales of related securities. These are non exhaustive examples and the actual leverage levels in the sub-fund may also exceed expected levels in other circumstances, within the investment policy and restrictions described in the prospectus.

For the purpose of cash management, the sub-fund may hold cash and/or invest in cash equivalents such as money market instruments or money market funds, including those managed by the Investment Adviser, Sub Adviser or advisers affiliated either to the Investment Adviser or the Sub Adviser (please refer to the Prospectus for further details).

WHAT ARE THE KEY RISKS?

Investment involves risks. Please refer to the offering document including the section headed “Risk Factors” for details including the risk factors.

1. Asset Allocation Risk

This list of risk factors ranks risks according to the potential impact on the portfolio calculated on an ex-ante basis by the Investment Adviser according to a third party risk system. In compiling this list and the associated rankings the Investment Adviser has based its assessment on the composition of the portfolio of the sub-fund at the date of this document. As described above the investment strategy involves an active asset allocation element, meaning that the Investment Adviser exercises wide discretion to allocate between different types of asset class. This means that one day the portfolio may be concentrated in equity securities, and at a later date the Investment Adviser may determine to re-allocate to a concentrated holding in Fixed Income Securities. Accordingly, the relevance of risks associated with equity securities, compared to interest rate risk, may fluctuate over time. As these determinations will be made in the Investment Adviser's discretion dependant on market conditions and outlook it is not possible to predict how the importance of one risk factor compared to another may vary over time. In addition, as these calculations are made on an ex-ante basis this means that the assessment has been made in part by looking at the historic performance and risk profile of the sub-fund. There is no guarantee that performance and risk profile going forward will replicate this historic model.

2. Absolute Return Strategies Risk

The intention of an absolute return strategy is to deliver positive returns through a market cycle. However there can be no guarantee that such returns or capital will be achieved.

3. Risk of Investment in Equity

Funds which invest in equity securities are subject to the volatility of the capital markets on which these securities are traded and may incur significant losses. The price of equities can be influenced by many factors at the individual company level, as well as by broader economic and political developments, including trends in economic growth, inflation and interest rates, corporate earnings reports, demographic trends and catastrophic events. The value of shares may fall in value and decrease the value of your investment as a whole.

4. Fixed Income Risk

Funds which invest in Fixed Income Securities will be subject to interest rate and credit risk, and the additional risks associated with securities such as high-yield debt securities, asset backed securities or loans. These risks include:

Credit Risk - There is a risk of an issuer's inability to meet principal and interest payments on its obligations and may also be subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity, if this happens the value of your investment will decrease.

Interest Rate Risk - The values of bonds are usually impacted by the variation of interest rates. The value of a portfolio of bonds is likely to decrease if interest rates rise and vice versa.

5. Currency and Exchange Rate Risk

The value of your investment may be impacted by the currency exchange rates between the sub-fund's base currency (Euro) and the valuation currencies of the assets which the sub-fund has invested in. This sub-fund invests in a variety of currencies some of whose exchange rates to the Euro may be volatile.

6. Commodity Risk

Commodity prices are affected by a large number of factors such as supply and demand relationships, weather, agricultural, commercial and trade policies, regulatory developments, political and economic events. As a result the value of commodities derivatives can be highly volatile. In addition the derivative positions may be illiquid as commodity exchanges may impose daily price fluctuation limits.

7. Derivatives Risk

The use of derivatives involves different types of risk, and, in certain cases, this is greater than the risks presented by more traditional investment instruments. These risks include:

Market risk – the value of the derivative may go down as well as up in response to changes in market factors. If a short position is taken and the underlying investments increase in value, losses could, in theory, be unlimited in extreme market conditions.

Liquidity risk – it may be difficult to buy or sell a derivative, particularly if the derivative transaction is large or if the relevant market is illiquid. In such instances it may not be possible to undertake a transaction, or to undertake a transaction at a favourable price.

Counterparty risk – over-the-counter derivatives exposes a sub-fund to the credit of the counterparty and their ability to fulfill the terms of the derivative contract. If the counterparty is made bankrupt or becomes insolvent then the value of the derivative is likely to decline and the sub-fund may experience delays or the inability to realise its investment.

Valuation risk – derivative instruments may not always track closely the value of the underlying assets and consequently they may not be an effective means of following a sub-fund's investment objective.

Leverage risk – derivative instruments allow the sub-fund to gain a larger exposure to asset values than the amount it invests. As a result losses on derivative instruments can exceed the amount invested in them and significantly reduce the value of the sub-fund as a whole, and increase volatility in the sub-fund.

High leverage risk – The sub-fund may have a net leveraged exposure of over 100% of the NAV of the sub-fund. In extreme circumstances, this may result in significant or total loss of the value of your investment and the sub-fund.

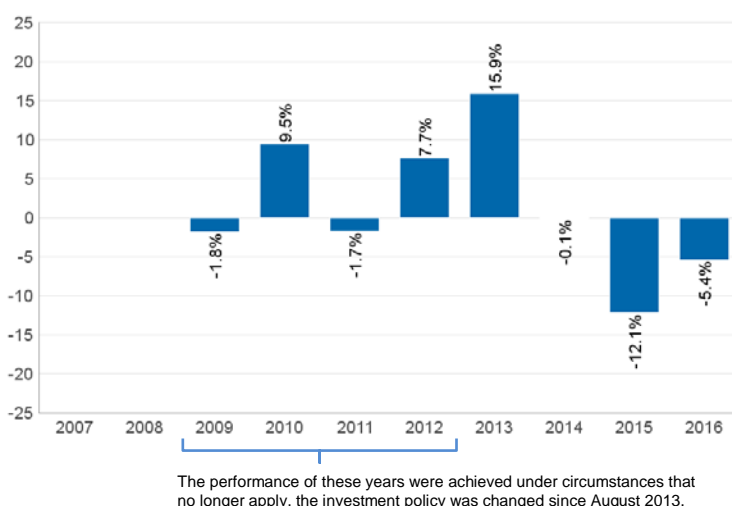
8. Exposure to the Euro and the Eurozone

The Eurozone is an economic and monetary union of 19 European member states that have adopted the Euro as their common currency and sole legal tender. The success of the Euro and the Eurozone is therefore dependent on the general economic and political condition of each member state, as well as each state's credit worthiness and the willingness of the members to remain committed to monetary union and support for the other members. Currently, there are widely held concerns in the market regarding the credit risk associated with certain sovereigns, including some member states of the Eurozone, and the continued viability of the Eurozone.

Default by any state on its Euro debts or a material decline in the credit rating of any Eurozone state could have a material negative impact on the Company and its investments. A number of the sub-funds of the Company may operate in Euro and/or may hold Euro denominated assets either directly or as collateral. In addition, the Company's counterparties, banks, custodians and service providers may have direct or indirect exposure to these countries or currency and a default or credit decline could impact their ability to meet their obligations to and/or perform services for the Company. In the event of one or more member states exiting the Eurozone, or the abandonment of the Euro entirely, there may be material negative impact on some or all sub-funds of the Company and the value of investments, including risk of redenomination from Euro into another currency, possible capital controls and legal uncertainty as to the ability to enforce obligations and debts.

Prospective shareholders should inform themselves as to the risks surrounding the Eurozone crisis and the associated risk of an investment in the Company, taking into account the uncertainty as to how the Eurozone crisis and more general global economic situation will continue to evolve.

HOW HAS THE FUND PERFORMED?



■ NAV: Diversified Alpha Plus Fund class A (EUR)

Past performance information is not indicative of future performance. Investors may not get back the full amount invested.

The computation basis of the performance is based on the calendar year end, NAV-to-NAV, with dividend reinvested.

These figures show by how much the sub-fund increased or decreased in value during the calendar year being shown. Where no past performance is shown there was insufficient data available in that year to provide performance.

The sub-fund was launched in 2008.

This share class was launched in 2008.

Performance data has been calculated in EUR including ongoing charges and excluding subscription fee and redemption fee you might have to pay.

IS THERE ANY GUARANTEE?

This sub-fund does not have any guarantees. You may not get back the full amount of money you invest.

WHAT ARE THE FEES AND CHARGES?**Charges which may be payable by you**

You may have to pay the following fees when dealing in the shares of the sub-fund.

Fee	What you pay
Subscription Fee (Sales Charge)	Up to 5.75% of the amount you buy for classes A, AH, AHX, AX. Nil for classes C, CH, CHX, CX.
Switching Fee (Conversion Fee)	Usually nil, but up to 2% of the conversion value where the Management Company determine the trading activity of the investor has adversely affected other shareholders.
Redemption Fee	Usually nil, but up to 2% of the redemption value where the Management Company determine the trading activity of the investor has adversely affected other shareholders.
Contingent Deferred Sales Charges	Nil for classes A, AH, AHX, AX. Up to 1% of the amount redeemed, if the redemption is within 365 days of the date of subscription for classes C, CH, CHX, CX.

Ongoing fees payable by the Fund

The following expenses will be paid out of the sub-fund. They affect you because they reduce the return you get on your investments.

	Annual Rate
Management Fee	1.75% of the average daily net assets for classes A, AH, AHX, AX. 2.45% of the average daily net assets for classes C, CH, CHX, CX.
Depositary Fee	The Depositary Fee will be paid out of the Administration Charge.
Performance Fee	Not applicable
Administration Charge	Currently 0.25% of the average daily net assets, which is the maximum annual rate as set out in the Prospectus.

All fees and charges will remain in force for an unlimited period, and may be changed by the Management Company as set out in the Prospectus subject to obtaining the prior approval of the Securities and Futures Commission and provision of one month's prior notice to investors where there is an increase in fees and charges.

Other fees

You may have to pay other fees when dealing in the shares of the sub-fund.

ADDITIONAL INFORMATION

- You generally buy and redeem shares of the sub-fund at the sub-fund's next-determined net asset value (NAV) after the transfer agent receives your request in good order on or before 1pm (Central European Time) on the relevant dealing day. The distributors may impose earlier cut-off deadlines.
- If the sub-fund or a class of shares of the sub-fund is being held by investors of Hong Kong, the net asset value per share of the sub-fund is calculated and published daily on www.morganstanleyinvestmentfunds.com in EUR.
- Investors may obtain the past performance information of other share classes offered to Hong Kong investors from www.morganstanleyinvestmentfunds.com

IMPORTANT

If you are in doubt, you should seek professional advice.

The SFC takes no responsibility for the contents of this statement and makes no representation as to its accuracy or completeness.