Morgan Stanley

Product Key Facts

Morgan Stanley Investment Funds

Emerging Markets Domestic Debt Fund

July 2019

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	MSIM Fund Management (Ireland) 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)
Depositary	J.P. Morgan Bank Luxembourg S.A.
Ongoing Charges over a year (*)	Classes A, ARM, AX: 1.64% Classes AH, AHM, AHR, AHX: 1.68% Classes C, CRM, CX: 2.34% Classes CH, CHX: 2.38%
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 AHR, AHX, AX, CHX, CX, and monthly for AHM, ARM and CRM. Class AHR, ARM and CRM may pay dividend out of the sub-fund's capital. Any distributions involving payment of dividends out of the sub-fund's capital may result in an immediate reduction of the net asset value per share.
Base currency	USD
Financial year end of this sub-fund	31 December
Min. investment	No minimum initial and additional investment amounts

(*): The ongoing charges figure is updated as of 1 March 2019 and provides an estimate of the total expenses of each class of the sub-fund. 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 taxe 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 Emerging Markets Domestic Debt 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

To maximise total return, measured in US Dollars, primarily through investment in a portfolio of Emerging Market Fixed Income Securities (e.g. bonds), denominated in the local currency of issue.

Strategy

The sub-fund intends to invest in Fixed Income Securities that provide a high level of current income, while at the same time holding the potential for capital appreciation.

"Emerging Market" countries for the purposes of this sub-fund are as defined by the JP Morgan Government Bond Index - Emerging Markets Global Diversified. The sub-fund may invest in Fixed Income Securities of government, government-related and corporate issuers located in or organized under the laws of Emerging Market countries, denominated in the local currency of issue.

The sub-fund will make extensive use of derivatives, including exchange traded and over-the-counter exchange traded futures, currency forwards and futures, government bond forwards, interest rate swaps, bond options, currency options, options on swaps, credit default swaps and credit linked notes, for investment purposes. Derivatives may be used to manage interest rate, yield-curve and yield spread risk. The expected level of gross leverage of the sub-fund, calculated using the sum of notionals of the derivatives used is expected to be 100% 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 40% 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 actual leverage is higher (possibly significantly) than the expected leverage. For example, this may happen if, in exercise of its investment discretion, the Investment Adviser transacts an above average number of foreign exchange pair trades, involving long and short positions on different currencies. This is a non exhaustive example 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.

The sub-fund may invest up to 30% of its value in Fixed Income Securities issued by issuers organised and located (1) in neither Developed Market countries nor Emerging Market countries; or (2) in Developed Market countries but the securities are not EM Exposed Securities. The sub-fund may also invest up to 30% of its value in Fixed Income Securities which are not denominated in the local currency of issue, provided that for temporary defensive purposes during periods in which the Company believes changes in economic, financial or political conditions make it advisable, the sub-fund may reduce its holdings in the local Emerging Market currency of issue to below 50% of the sub-fund's assets and invest in eligible debt securities denominated in the currencies of Developed Market countries. The sub-fund may also invest up to 10% of its value in warrants on transferable securities issued by issuers in emerging markets as well as in loan participations and loan assignments to the extent these constitute money market instruments.

The sub-fund may invest in Fixed Income Securities acquired on the China Interbank Bond Market. No more than 10% of the sub-fund's assets will be invested in such securities.

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).

The sub-fund may invest no more than 20% of its assets in Contingent Convertible Instruments.

The investment process takes into account information about environmental, social, and governance issues (also referred to as ESG) when making investment decisions. The Investment Adviser may engage company management around corporate governance practices as well as what it deems to be materially important environmental and/or social issues facing a company.

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. 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:

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.

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.

Downgrading Risk - The ratings given to securities may be subject to change. The sub-fund may continue to invest in securities that are downgraded after purchase. If the sub-fund holds downgraded securities it may decrease in value due to price volatility on the perceived creditworthiness of the issuer. The sub-fund may not be able to dispose of securities which have been downgraded.

Unrated Securities Risk - Investing in unrated securities may carry increased risk. Such securities may be subject to price volatility and greater risks may be assumed due to interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity. There may also be a higher chance of default in unrated securities than highly rated securities.

Loans Risk - Where exposure to the loan is by way of loan participation, there is additional credit risk to the bank providing that exposure as well as on the borrower under the loan. Where a loan is acquired directly, this would not be the case but there may in that case be a risk that the sub-fund could become part owner of collateral and bear the costs and liabilities associated with owning and disposing of the collateral. As the loans are floating rate, substantial increases in interest rates may cause an increase in loan obligation defaults. Loans may prove less liquid than other assets in the sub-fund, particularly during difficult market conditions.

2. Emerging Market Risk

Investing in debt securities of companies operating in emerging countries carries a higher level of risk as political, legal and operational systems may be less developed than developed markets, therefore it may be more difficult to enforce debt claims.

3. Emerging Market Currency Risk

This sub-fund invests in assets denominated in emerging market currencies. Many emerging countries have experienced substantial devaluation relative to the currencies of more developed countries.

4. Exchange Rate Risk

The value of your investment may be impacted by the currency exchange rates between the sub-fund's base currency (US Dollar) 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 US Dollar may be volatile.

5. 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 that 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 fulfil 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.

6. 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.

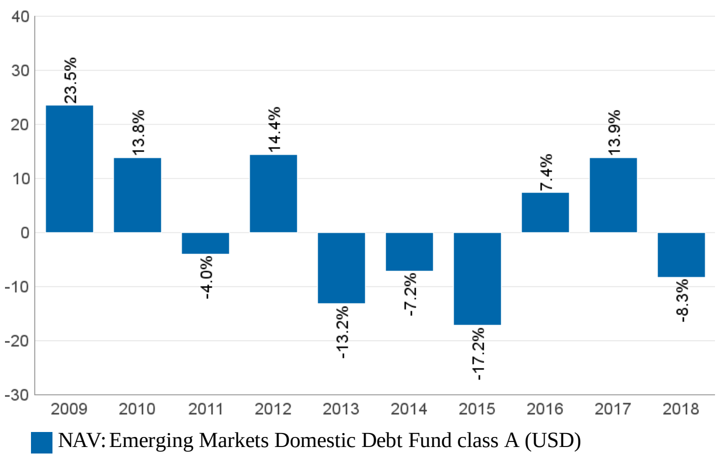
Prospective shareholders should inform themselves as to the risks surrounding the Eurozone crisis and the associated risk of an investment in the Company, taking into account the uncertainty as to how the Eurozone crisis and more general global economic situation will continue to evolve.

7. Risk of Discretionary Distributing Share Class

The Discretionary Distributing Share Class may pay distributions out of capital. Payment of dividends out of capital amounts to a return or withdrawal of part of an investor's original investment or from any capital gains attributable to that original investment. Any distribution involving payment of dividends out of the sub-fund's capital may result in an immediate decrease of the net asset value per share.

We may amend the above dividend policy subject to SFC's prior approval and will give you one month's prior notice.

HOW HAS THE FUND PERFORMED ?



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 2007.

This share class was launched in 2007.

Performance data has been calculated in USD 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, AHM, AHR, AHX, ARM, AX. Nil for classes C, CH, CHX, CRM, 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, AHM, AHR, AHX, ARM, 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, CRM, 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	1.40% of the average daily net assets for classes A, AH, AHM, AHR, AHX, ARM, AX. 2.10% of the average daily net assets for classes C, CH, CHX, CRM, 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 INFOR MATION

- 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 USD.
- The compositions of the dividends (i.e. the relative amount paid out of (i) net distributable income and (ii) capital) for the last 12 months is available from the Hong Kong representative on request and also on http://www.morganstanley.com/im.
- 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.