Morgan Stanley

INVESTMENT MANAGEMENT

APPROVED FOR USE IN GERMANY

Morgan Stanley Investment Funds

Emerging Markets Fixed Income Opportunities Fund

FIXED INCOME | GLOBAL FIXED INCOME TEAM | MONTHLY FUND ANALYSIS | 31 October 2020

Commentary

MARKET REVIEW

Global yields rose in October, with the10-year U.S. Treasury yield up by 19 basis points (bps) to 0.87%, as the yield curve steepened. Risk appetite returned during the month given continued expectations of monetary and fiscal support for markets, prospects of a Biden victory in the U.S. elections, coupled with a possible "blue wave" if the Democrats also win Congress, as well as better-than-expected third quarter corporate earnings.

EM performed positively in October, with local currency outperforming. Hard currency sovereigns (proxied by the J.P. Morgan EMBI Global Diversified Index) closed flat, as spread compression offset rising U.S. Treasury yields. EM corporates were positive for the month, returning +0.3%, according to the J.P. Morgan CEMBI Broad Diversified Index, on the back of spread compression, with high yield matching investment grade corporate performance (+0.3%). Local currency bonds (proxied by the J.P. Morgan GBI-EM Global Diversified Index) also posted positive returns (+0.4%), mainly on the back of local carry and yield compression, with a small contribution from EM currency appreciation versus the U.S. dollar (+0.1%). From a broad market perspective, Venezuela, Cote d'Ivoire, Kenya, Ghana and Belize were the best performers in October, while bonds in Sri Lanka, Argentina, Suriname, Zambia, Lebanon and Costa Rica were the worst performers. From a sector perspective, companies in the pulp & paper, metals & mining, industrial and real estate segments led the market, while those in the oil & gas, transport, consumer and infrastructure business outperformed.

PERFORMANCE REVIEW

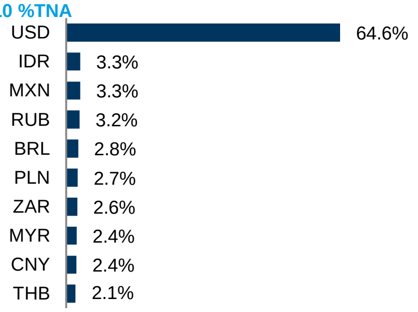
During the month, positive returns were driven by dollar-denominated sovereign and quasi-sovereign debt, followed by domestic debt. Exposure to corporate debt detracted. Most of the positive performance derived from positioning in hard currency sovereign and quasi-sovereign debt in Sri Lanka (underweight) and in Venezuela and Senegal (overweight). The overweight exposure to domestic debt in Mexico, South Africa and Egypt was also positive. Elsewhere, positioning in corporates in Armenia and Argentina was negative, as was the positioning in hard currency sovereign and quasi-sovereign debt in Costa Rica (overweight) and Kazakhstan (underweight).

MAIN STRATEGY CHANGES IN THE MONTH

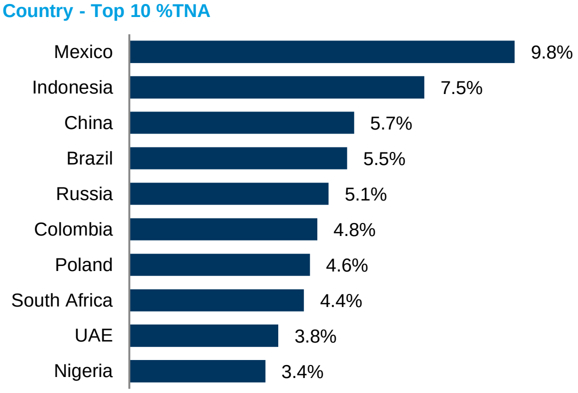
During the month, we reduced exposure to Mexico following strong outperformance relative to other emerging markets, to reduce risk related to the U.S. election, COVID-19 and currency risk (consensus positioning in the market). We maintain a fundamental positive view on the country. We also partially rotated our Qatar exposure into the U.A.E. based on relative valuations.

Source: Morgan Stanley Investment Management. As of 31st October 2020.

Currency - Top 10 %TNA



Country - Top 10 %TNA

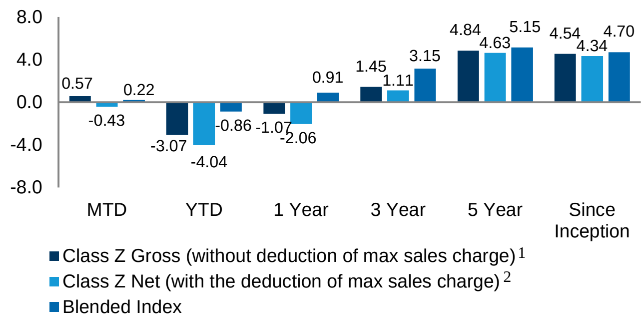


Source: Morgan Stanley Investment Management, Blackrock, JP Morgan. Data as of 31 October 2020. *United States allocation is typically cash holdings.

Provided for informational purposes only, not to be construed as investment recommendations for securities, sectors or countries listed herein. Holdings data is subject to change on a daily basis

Views expressed herein are the opinions of the Team and are subject to change based on market and economic conditions. These views are not necessarily representative of Morgan Stanley Investment Management (MSIM) or the firm as a whole.

Investment Performance (% net of fees) in USD - Z Class Shares



12 Month Performance Periods to Latest Month End (%)[1,2,*]	Oct '20-Oct '19	Oct '19-Oct '18	Oct '18-Oct '17	Oct '17-Oct '16	Oct '16-Oct '15
Class Z Gross (without deduction of max sales charge)[1]	-1.07	12.73	-6.39	7.74	12.63
Class Z Net (with the deduction of max sales charge)[2]	-2.06	11.60	-7.32	6.66	11.50

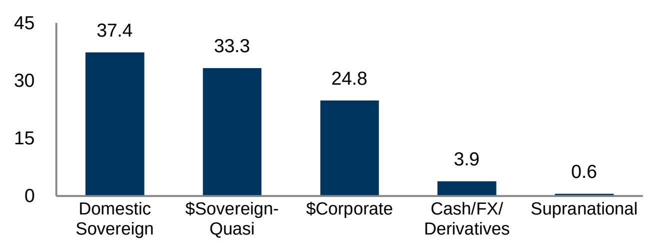
Portfolio inception date: 3rd August 2015. Effective June 8th, 2020, the Fund's primary benchmark index has changed to J.P. Morgan Emerging Markets Blended Index (JEMB) - Equal Weighted. Past performance is not a reliable indicator of future results. Returns may increase or decrease as a result of currency 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. **Please visit our website www.morganstanley.com/im to see the latest performance returns for the fund's other share classes.**

[1] Figure shown assumes reinvestment of all distributions and deduction of fund level costs, but does not reflect the deduction of any sales charge applicable at investor level.

[2] Figure shown assumes reinvestment of all distributions and deduction of fund level costs, and includes the deduction of the maximum sales charge applicable at investor level that may be taken out of your money before it is invested.

*Example: An investor wishes to purchase shares of USD 100. At the maximum sales charge of 5.75% the investor has to expend USD 106.10. The sales charge is only incurred upon subscription.

Sector Breakdown %TNA



Statistics	Portfolio
Effective Interest Rate Duration (years)	6.08
Spread Duration (years)	4.26
Weighted Average Life (years)	9.87
Yield to Maturity (%)	5.40
Average Credit Quality Moody's	Baa3
Average Credit Quality S&P	BB+
Standard Deviation (Since Inception, %) - Z Class Shares	10.43
Sharpe Ratio (Since Inception, %) - Z Class Shares	0.38

Investment Approach

- Holistic approach to gain exposure to the broad spectrum of dollar-denominated and local currency sovereign, quasi-sovereign and corporate debt.
- Process integrates bottom-up security selection with top-down macroeconomic, sovereign, sector and currency analysis.
- The team conducts fundamental sovereign analysis using frameworks that combine economic, political and social assessments. The prime objective of this analysis is to distinguish between those countries exhibiting positive and negative rates of change. We analyze a country's ability and willingness to service its debt obligations, domestic factors which impact interest rates and exchange rates, and how these elements may influence the overall business environment and therefore the fundamentals of public and private sector credit. We use a variety of spread, currency, interest rate, and yield curve models to guide our view of "fair value" and compare our views with the market's to identify value opportunities.
- Interest rate and currency decisions are made independently and each potential security is analyzed through a variety of valuation metrics. The team's models provide perspective on market valuations in different cycles and time periods, enabling them to identify potential mispricing and alpha opportunities, as well as determine the relative value between corporate, sovereign, or quasi-sovereign debt.
- Risk management is integrated into our entire investment process.

Fund Characteristics Summary

Benchmark	• Blended Index* for reference only
Fund Launch	• 3rd August 2015
Investment Universe (Alpha Source)	• Debt securities of emerging market country issuers (sovereigns, quasi sovereigns, corporate bonds)
Denominated in	• U.S. dollar, and to a lesser extent, non U.S. or EM local currencies
Country	• Typically 0-20%
Sector	• Maximum 80% in any one EM sector (corporate, external, domestic)
Effective Interest Rate Duration	• In the range of 0-8 years
Yield to Maturity	• Typically 5-7%
Average Credit Quality (Moody's/S&P/Fitch)	• Typically: Ba/BB/BB to Baa2/BBB/BBB
Portfolio Managers**	• Eric Baurmeister, Warren Mar, Sahil Tandon and Budi Suharto

*J.P. Morgan Emerging Markets Blended Index (JEMB) - Equal Weighted.

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

Risk Considerations

- 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.
- There are increased risks of investing in emerging markets as political, legal and operational systems may be less developed than in developed markets.
- Past performance is not a reliable indicator of future results. Returns may increase or decrease as a result of currency fluctuations. The value of investments and the income from them can go down as well as up and investors may lose all or a substantial portion of his or her investment.
- The value of the investments and the income from them will vary and there can be no assurance that the Fund will achieve its investment objectives. Investments may be in a variety of currencies and therefore changes in rates of exchange between currencies may cause the value of investments to decrease or increase. Furthermore, the value of investments may be adversely affected by fluctuations in exchange rates between the investor's reference currency and the base currency of the investments.

Definitions

Cash & Equivalents are assets that are cash or can be readily converted into cash. **Effective Interest Rate 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. **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. **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. **Spread Duration** is a measurement of the spread of a fixed-income security rate and the risk-free rate of return. **Volatility (Standard deviation)** measures how widely individual performance returns, within a performance series, are dispersed from the average or mean value. **Weighted average life (WAL)** is a measure of sensitivity to liquidity and/or credit risk. Weighted average life takes into account all call options exercised by the issuer as well as permissible maturity shortening devices such as demand features. **Yield to maturity** (YTM) 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.

Index Information

Custom Benchmark refers to performance of Fund's benchmarks since inception - August 3rd, 2015 to June 8th, 2020: 1/3 J.P. Morgan EMBI Global Index, 1/3 J.P. Morgan GBI-EM Global Diversified Index, 1/3 J.P. Morgan CEMBI Broad Diversified Index; June 8th, 2020 and beyond - J.P. Morgan Emerging Markets Blended Index (JEMB) - Equal Weighted. The J.P. Morgan Emerging Markets Blended Index (JEMB) - Equal Weighted is comprised of 1/3 J.P. Morgan Emerging Markets Bond Global Diversified Index (tracks total returns for traded external debt instruments in the emerging markets, and is an expanded version of the EMBI+. As with the EMBI+, the EMBI Global includes US dollar-denominated Brady bonds, loans, and Eurobonds with an outstanding face value of at least $500 million), 1/3 J.P. Morgan GBI-EM Global Diversified Index (a comprehensive global local emerging markets index that consists of regularly traded, liquid fixed-rate, domestic currency government bonds and includes only the countries which give access to their capital market to foreign investors (excludes China, India), and 1/3 J.P. Morgan CEMBI Broad Diversified Index (a global, liquid corporate emerging- markets benchmark that tracks U.S.-denominated corporate bonds issued by emerging- markets entities).

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