

Commentary

PERFORMANCE REVIEW

- In the one month period ending 31 March 2019, the Fund's Z shares returned 0.94% (net of fees)¹.
- Equity markets continued to provide positive returns in March but traded more erratically compared with January and February due to growth concerns and on-going trade talks between the U.S. and China. The yields on both U.S. and German long-dated sovereign bonds fell sharply in March as the Federal Reserve (Fed) and the European Central Bank (ECB) took a dovish turn towards more accommodative monetary policy to encourage growth. Our allocations to U.S., Europe and Asia ex Japan equities and European corporate bonds were the top contributors to the portfolio's positive performance on the month.

MARKET REVIEW

- **US** : The MSCI USA Index returned 1.81% in U.S. dollar terms (USD) and 3.27% in euro terms. The Institute for Supply Management (ISM) surveys of the U.S. manufacturing and services sectors continued to indicate expansionary conditions. But while the manufacturing index increased by more than expected, the services index came in lower than expected. The ISM Manufacturing PMI rose to 55.3 in March from 54.2 in February on stronger new orders, production and hiring. The ISM Non-Manufacturing index fell to 56.1 in March from February's 59.7 reading due to a slower expansion in new orders and production. Retail sales in February slipped 0.2% while the January number was revised upward to a 0.7% gain. Hiring rebounded in March after an unexpectedly weak February. The U.S. Labor Department said 196,000 jobs were added and the unemployment rate stayed at 3.8%. Wages grew by 3.2% over the 12 months ended March 2019. Core inflation, excluding food and energy, for March is up 2% year-on-year.
- **Europe** : The MSCI Europe Index returned 2.03% in euro terms and 0.59% in USD terms. Manufacturing conditions deteriorated further in the eurozone. The IHS Markit Eurozone Manufacturing PMI for March was 47.5, dropping from February's 49.3. Weak global demand, trade/tariffs, Brexit and other political worries continued to dampen new orders, output and business confidence in the region. Business conditions in the services sector, however, showed further improvement. The IHS Markit Eurozone PMI Services Business Activity Index increased to 53.3 in March from 52.8 in February. Stronger new business volumes encouraged hiring and helped bolster business sentiment. Inflation weakened in March, according to Eurostat's flash estimate. The euro area annual inflation is expected to be 1.4%, below February's rate of 1.5%. The core inflation measure, which excludes food, energy, alcohol and tobacco, also declined in March to 0.8% from 1.0% in February. Separately, Eurostat reported that unemployment held steady in February at 7.8% for the euro area and 6.5% for the European Union.
- **Japan** : The MSCI Japan Index returned -0.01% in yen terms and 1.99% in euro terms. Japan's manufacturers saw another month of contracting activity. After falling to 48.9 in February 2019, the first below-50 reading below since 2016, the Nikkei Japan Manufacturing PMI's rate of decline improved slightly to 49.2 in March. The services sector demonstrated resiliency amid stronger domestic demand and higher output as the Nikkei Japan Services PMI came in at 52.0 in March, down modestly from 52.3 in February. The Ministry of Economy, Trade and Industry said industrial production was "pausing" after an upturn in March snapped three months of declines. Production increased 1.4% month-on-month due to increased auto and auto parts production but remained down 1.0% year-on-year. Household spending grew by less than expected at 1.7% in real terms on the year in February after advancing 2.0% in January. Inflation remained subdued in February, as the core measure, excluding food and energy, increased 0.4% on the year. Unemployment stayed at two-decade lows, falling to 2.3% in February from 2.5% in January, Statistics Bureau data showed.

PORTFOLIO ACTIVITY

- We reduced equity exposure moderately in March as weak economic data reignited investors' concern over global growth. We maintain our view that a near-term recession is a low probability event. As a result, we continue to use the option strategy to gain equity exposures and provide downside protection given binary risks associated with events such as U.S.-China trade negotiation and Brexit. The effective equity exposure at the end of the month was 36.7%.

STRATEGY AND OUTLOOK

- The recent inversion of the yield curve has further flamed fears about a forthcoming U.S. recession. While we acknowledge that yield curve inversion has historically been an accurate recession signal, we continue to view a near-term recession as a low probability scenario. Despite some deterioration in key leading indicators such as U.S. consumer and business confidence, they still remain far from levels indicating a recession. Furthermore, if the U.S. Congress reaches a bipartisan deal for infrastructure spending, this could provide the boost that keeps the U.S. from a recession. Moreover, the latest data out of China are showing signs that government stimulus measures may be working. The recent dovish pivot by both the Fed and the ECB has already translated into a meaningful loosening in global financial conditions. Assuming global growth bottoms in the second quarter of 2019, a pause in interest rate increases would likely be supportive of equity markets. We are cautious, however, as geopolitics and trade threats are dampening global economic momentum. Despite positive progress on U.S.-China trade talks, which is mostly priced in by investors, challenges remain around implementation and enforcement. Trade tension could also escalate between the U.S. and Europe should the U.S. decide to impose new tariffs on \$11 billion of European Union products in addition to the auto tariff proposed last year. Given the magnitude of the year-to-date rally, U.S. equities, in particular the technology sector, are vulnerable to a correction should incoming data disappoint. As a result, we aim to be nimble in asset allocation and continue to use options to gain broader exposure. For fixed income assets, while short-term weakness in economic data and a dovish Fed may cause bond yields to drop, our view is that the return to owning longer-dated bonds relative to the risk remains unattractive. The flatness of the yield curve means that any evidence of renewed growth could lead to a sharp rebound in yields and negative returns for longer-dates bonds from current levels. We prefer emerging market debt instead, which is offering attractive yields and could benefit from a combination of falling inflation and weakening growth in some emerging market economies.

Statistics as of 31 March 2019

Effective Duration	1.80
--------------------	------

¹ Source: Morgan Stanley Investment Management Limited. Data as of 31 March 2019.

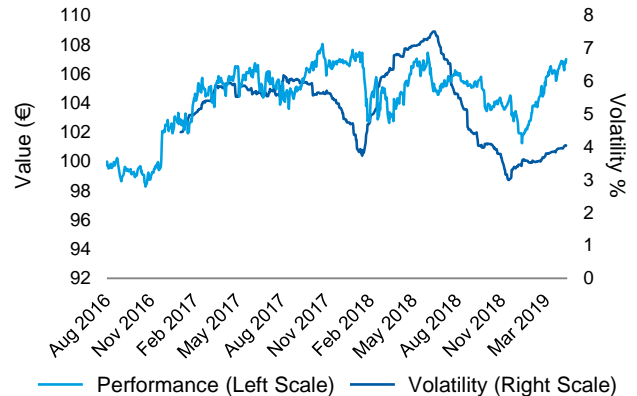
Views expressed herein are the opinions of the Team and are subject to change based on market and economic conditions. These views are not necessarily representative of Morgan Stanley Investment Management (MSIM) or the firm as a whole.

Asset Allocation as of 31 March 2019

	Current Weight %
EQUITY	36.81
S&P 500 ESG Stock Basket	10.08
S&P 500 Futures	-4.38
S&P 500 Long Call Options	5.58
Nasdaq 100 Futures	0.50
MSCI Europe ESG Stock Basket	6.59
Euro Stoxx 50 Futures	-1.88
Eurostoxx 50 Long Call Options	3.71
MSCI Japan ESG Stock Basket	4.17
Nikkei 225 Futures	1.39
MSCI Emerging Markets ESG Stock Basket	2.65
MSCI Emerging Markets Futures	-1.18
Amundi MSCI EM LatAm UCITS ETF	2.00
MSCI Asia ex-Japan ESG Stock Basket	3.54
iShares Developed Markets Property Yield UCITS ETF	2.03
MS INVF Global Infrastructure Fund Z	2.01
Commodities	4.53
Invesco Physical Gold ETC ETF	1.96
ETFS Industrial Metals ETC ETF	2.57
Fixed Income	53.45
Euro Government Bonds	13.40
US TIPS	3.99
Euro Government Inflation-Linked Bond	2.99
iShares Emerging Market Local Govt UCITS ETF	1.98
Euro Corporate Bonds ESG Basket	14.14
iTraxx Europe Main 5Y CDS	6.96
iTraxx Euro X-Over 5Y CDS	4.00
iTraxx US High Yield CDS	2.01
iTraxx Emerging Market Sovereign CDS	3.97
Cash	5.20
Physical Cash & Short Maturity Bonds	8.94
Synthetic Cash	-3.74
TOTAL	100.00

Performance as of 31 March 2019 (%)

Class Z shares, performance of €100 invested since inception (16 August 2016) and 6-month rolling volatility



This chart illustrates the performance and volatility of a hypothetical €100 investment in the Fund since inception through to 31 March 2019 and includes the reinvestment of dividends and other distribution. The sources of all performance and volatility data is Morgan Stanley Investment Management.

12 Month Performance Periods to Latest Month End (%)

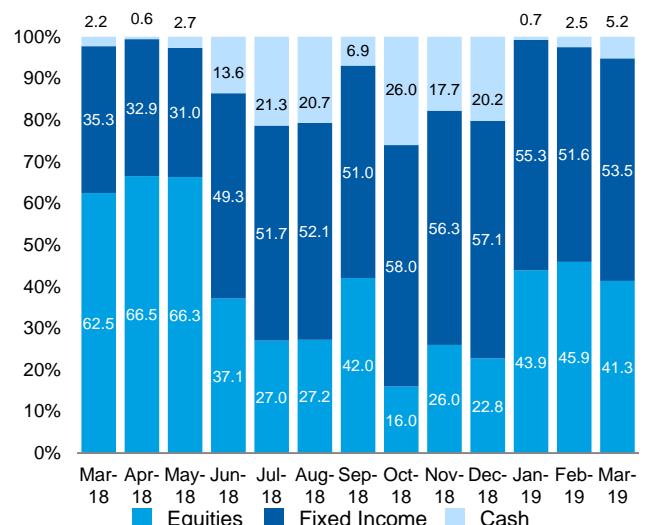
	Mar'19- Mar'18	Mar'18- Mar'17	Mar'17- Mar'16	Mar'16- Mar'15	Mar'15- Mar'14
Class Z Shares (Net) LU1439783207	3.64	-1.97	-	-	-

Calendar Year Returns (%)

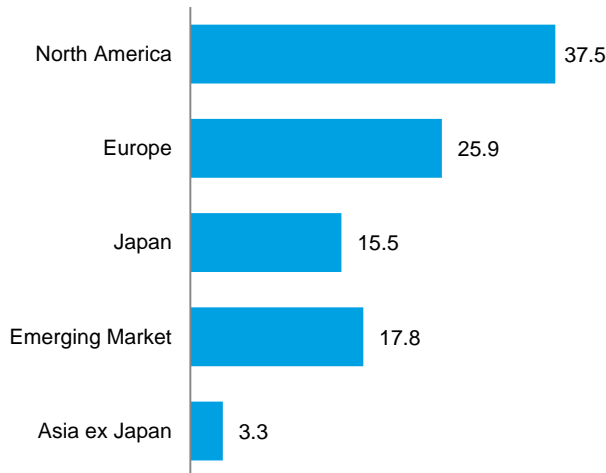
	2018	2017	2016	2015	2014
Class Z Shares (Net) LU1439783207	-4.43	4.63	-	-	-

Portfolio inception date: 16 August 2016. **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.**

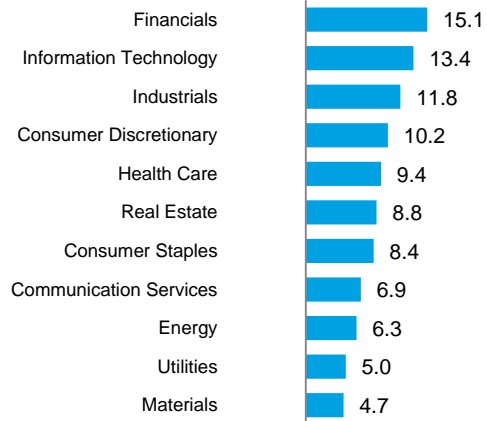
Rolling Asset Class Weights (%) as of 31 March 2019



Equity Regional Breakdown ⁽¹⁾ ⁽²⁾ as of 31 March 2019(%)

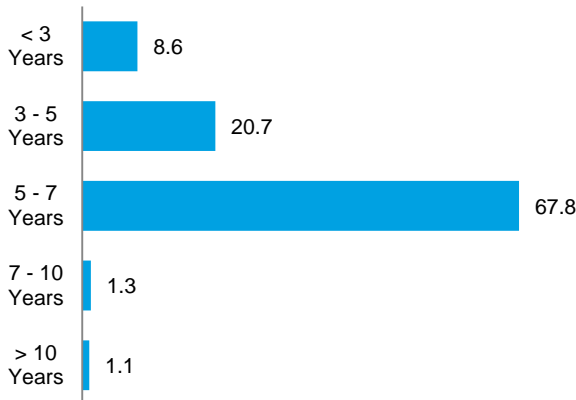


Equity Sectors Breakdown ⁽¹⁾ ⁽²⁾ as of 31 March 2019 (%)

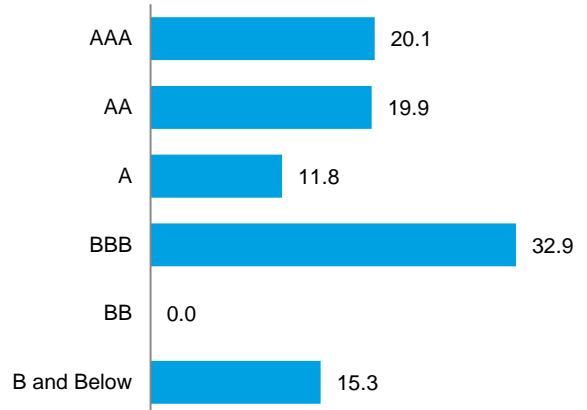


For additional information regarding sector classification/definitions please visit <https://www.msci.com/qics>. Note the short positions are fully covered on the "Synthetic Cash" portion of the portfolio and may have resulted from a sector mismatch from futures hedging.

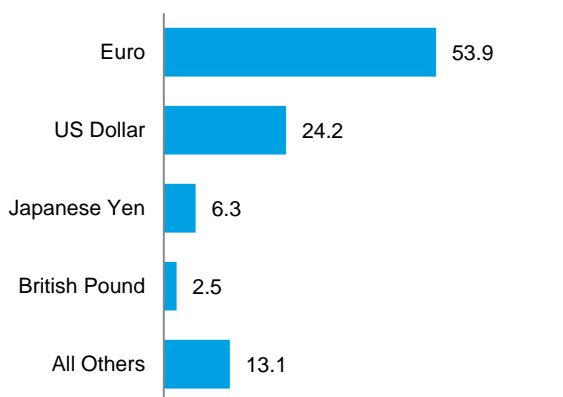
Maturity Breakdown ⁽¹⁾ ⁽²⁾ as of 31 March 2019 (%)



Rating Breakdown ⁽¹⁾ ⁽²⁾ as of 31 March 2019 (%)



FX Breakdown ⁽¹⁾ ⁽²⁾ as of 31 March 2019



1. Aggregate based on a look through basis of the fund holdings information.

2. Information is provided on a delayed basis consistent with sub-funds public disclosure and is calculated utilising top ten holdings or entire holdings conditional on availability.

Source: Morgan Stanley Investment Management. 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.

Credit Rating refers to the rating given by a Nationally Recognized Statistical Rating Organization ("NRSRO") such as Standard & Poor's Ratings Group ("S&P"), Moody's Investors Services, Inc. ("Moody's") or Fitch Ratings ("Fitch") and is the rating firms' subjective opinion concerning the ability and willingness of an issuer to meet its financial obligations in full and on time. Ratings apply only to the underlying holdings of the portfolio and do not remove the Fund's market risk. If two or more NRSROs have assigned a rating, the highest rating is used. Ratings other than S&P ratings are converted into their equivalent S&P rating.

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

Bloomberg stands for 'Bloomberg Global Identifier (BBGID)'. This is a unique 12 digit alphanumerical 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. **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. **Duration** is expressed as a number of years. Rising interest rates mean falling bond prices, while declining interest rates mean rising bond prices.

Distribution

This communication is only intended for and will only be distributed to persons resident in jurisdictions where such distribution or availability would not be contrary to local laws or regulations. In particular, the Shares are not for distribution to US persons.

Ireland: Morgan Stanley Investment Management (Ireland) Limited. Registered Office: The Observatory, 7-11 Sir John Rogerson's, Quay, Dublin 2, Ireland. Registered in Ireland under company number 616662. Regulated by the Central Bank of Ireland. **United Kingdom:** Morgan Stanley Investment Management Limited is authorised and regulated by the Financial Conduct Authority. Registered in England. Registered No. 1981121. Registered Office: 25 Cabot Square, Canary Wharf, London E14 4QA, **Dubai:** Morgan Stanley Investment Management Limited (Representative Office, Unit Precinct 3-7th Floor-Unit 701 and 702, Level 7, Gate Precinct Building 3, Dubai International Financial Centre, Dubai, 506501, United Arab Emirates. Telephone: +97 (0)14 709 7158). **Germany:** Morgan Stanley Investment Management Limited Niederlassung Deutschland 4th Floor Junghofstrasse 18-26, 60311 Frankfurt am Main, Germany (Gattung: Zweigniederlassung (FDI) gem. § 53b KWG). **Italy:** Morgan Stanley Investment Management Limited, Milan Branch (Sede Secondaria di Milano)

is a branch of Morgan Stanley Investment Management Limited, a company registered in the UK, authorised and regulated by the Financial Conduct Authority (FCA), and whose registered office is at 25 Cabot Square, Canary Wharf, London, E14 4QA. Morgan 08829360968. **The Netherlands:** Morgan Stanley Investment Management, Rembrandt Tower, 11th Floor Amstelplein 1 1096HA, Netherlands. Telephone: 31 2-0462-1300. Morgan Stanley Investment Management is a branch office of Morgan Stanley Investment Management Limited. Morgan Stanley Investment Management Limited is authorised and regulated by the Financial Conduct Authority in the United Kingdom. **Switzerland:** Morgan Stanley & Co. International plc, London, Zurich Branch Authorised and regulated by the Eidgenössische Finanzmarktaufsicht ("FINMA"). Registered with the Register of Commerce Zurich CHE-115.415.770. Registered Office: Beethovenstrasse 33, 8002 Zurich, Switzerland, Telephone +41 (0) 44 588 1000. Facsimile Fax: +41(0) 44 588 1074. **Australia:** This publication is disseminated in Australia by Morgan Stanley Investment Management (Australia) Pty Limited ACN: 122040037, AFSL No. 314182, which accepts responsibility for its contents. This publication, and any access to it, is intended only for "wholesale clients" within the meaning of the Australian Corporations Act.

Hong Kong: This document has been issued 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 document 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 document shall not be issued, circulated, distributed, directed at, or made available to, the public in Hong Kong.

Singapore: Singapore: This document 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"), (ii) to a "relevant person" (which includes an accredited investor) pursuant to section 305 of the SFA, and such distribution is in accordance with the conditions specified in section 305 of the SFA; or (iii) 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. This material has not been reviewed by the Monetary Authority of Singapore.

IMPORTANT INFORMATION

EMEA: This marketing communication has been issued by Morgan Stanley Investment Management (Ireland) Limited. Registered Office: The Observatory, 7-11 Sir John Rogerson's, Quay, Dublin 2, Ireland. Registered in Ireland under company number 616662. Authorised and regulated by Central Bank of Ireland. ("MSIM Ireland").

This document contains information relating to the sub-fund ("Fund") of Morgan Stanley Investment Funds, a Luxembourg domiciled Société d'Investissement à Capital Variable. Morgan Stanley Investment Funds (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").

Applications for shares in the Fund should not be made without first consulting the current Prospectus, Key Investor Information Document ("KIID"), Annual Report and Semi-Annual Report ("Offering Documents"), or other documents available in your local jurisdiction which is available free of charge from the Registered Office: European Bank and Business Centre, 6B route de Trèves, L-2633 Senningerberg, R.C.S. Luxembourg B 29 192. In addition, all Italian investors should refer to the 'Extended Application Form', and all Hong Kong investors should refer to the 'Additional Information for Hong Kong Investors' section, outlined within the Prospectus. Copies of the Prospectus, KIID, the Articles of Incorporation and the annual and semiannual reports, in German, and further information can be obtained free of charge from the representative in Switzerland. The representative in Switzerland is Carnegie Fund Services S.A., 11, rue du Général-Dufour, 1204 Geneva. The paying agent in Switzerland is Banque Cantonale de Genève, 17, quai de l'Île, 1204 Geneva. The document 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.

All investments involve risks, including the possible loss of principal. Any information regarding expected market returns and market outlook is based on the research, analysis, and opinions of the investment team and is based on current market conditions.

The material contained herein has not been based on a consideration of any individual client circumstances and is 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. 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 views expressed in this material are subject to change based on market conditions. This document may contain certain statements that may be deemed forward-looking statements. Please note that any such statements are not guarantees of any future performance and actual results or developments may differ materially from those projected.

The views here are of the portfolio management team and are not the views of the firm as a whole.

MSIM Ireland has not authorised financial intermediaries to use and to distribute this document, unless such use and distribution is made in accordance with applicable law and regulation. MSIM Ireland shall not be liable for, and accepts no liability for, the use or misuse of this document by any such financial intermediary. If you are a distributor of the Morgan Stanley Investment Funds, some or all of the funds or shares in individual funds may be available for distribution. Please refer to your sub-distribution agreement for these details before forwarding fund information to your clients.

MSIM Ireland has not authorised financial intermediaries to use and to distribute this document, 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 document by any such financial intermediary. If you are a distributor of the Morgan Stanley Investment Funds, some or all of the funds or shares in individual funds may be available for distribution. Please refer to your sub-distribution agreement for these details before forwarding fund information to your clients.

The whole or any part of this work may not be reproduced, copied or transmitted or any of its contents disclosed to third parties without MSIM Ireland's express written consent.

All information contained herein is proprietary and is protected under copyright law.

This document may be translated into other languages. Where such a translation is made this English version remains definitive. If there are any discrepancies between the English version and any version of this document in another language, the English version shall prevail.
www.morganstanley.com/im

Index information

The **MSCI USA Index** is designed to measure the performance of the large and mid cap segments of the US market. With 631 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in the US.

The **MSCI Europe Index** is a free float-adjusted market capitalization index that is designed to measure developed market equity performance in Europe. The term "free float" represents the portion of shares outstanding that are deemed to be available for purchase in the public equity markets by investors. The performance of the Index is listed in U.S. dollars and assumes reinvestment of net dividends.

The **MSCI Japan Index** is a free-floated adjusted market capitalization weighted index that is designed to track the equity market performance of Japanese securities listed on the Tokyo Stock Exchange, Osaka Stock Exchange, JASDAQ and Nagoya Stock Exchange. The MSCI Japan Index is constructed based on the MSCI Global Investable Market Indices Methodology, targeting a free-float market capitalization coverage of 85%.