Morgan Stanley

INVESTMENT MANAGEMENT

Morgan Stanley Investment Funds (MS INVF)

Global Asset Backed Securities Fund

GLOBAL FIXED INCOME | GLOBAL FIXED INCOME TEAM

FUND OVERVIEW | 31 MARCH 2019

A Means to Access the Unique Characteristics of Securitised Assets in a Globally Diversified Portfolio

Securitised assets are instruments whose income payments and value are derived from a specific pool of underlying collateral, often providing liquidity to a pool of assets that are unable to be sold individually. The unique characteristics of these securities differ from those of "traditional" fixed income investments, such as responsivity to changes in interest rates and principal repayment schedules; providing potential portfolio diversification benefits to investors.

Introduction to the Investment Universe

The securitised asset universe offers a broad array of securities that may be secured using a variety of underlying collateral, such as residential mortgages, commercial mortgages, credit card receivables and automobile loans. Mortgage-backed securities (MBS) remain a significant component of the securitised asset universe, and derive their cash flows from underlying mortgages. There are two broad categories of mortgage-backed securities: residential mortgage-backed securities (RMBS) and commercial mortgage-backed securities (CMBS). The principal difference lies in the underlying mortgages used; RMBS derive their cash flow from residential debt, such as mortgages or home-equity loans, whereas CMBS provide exposure to the commercial property market.

Specifically within the U.S. residential market, securities are frequently referred to as agency and non-agency issues. This can be seen as a broad reflection of the underlying credit quality of the security. Agency RMBS are those issued by government entities that fully back the obligations and hence offer a higher degree of credit quality, whereas non-agency securities are those made available from private companies. The MS INVF Global Asset Backed Securities Fund[1] considers the entire investment universe of securitised assets, seeking to utilise investment expertise to identify the best opportunities available within the market.

A Rigorous Process

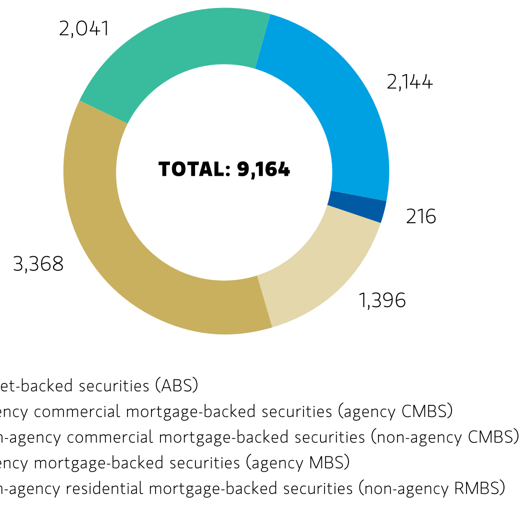
Given the complexity of the asset class, deep expertise and a rigorous credit analysis process are necessary. It is also important to know how to engage the market in order to source investment opportunities. Our approach to investing thoroughly assesses the risks and rewards of every security we consider and encapsulates both top-down macroeconomic analysis and bottom-up security selection.

We focus on rigorous analysis of both the security's capital structure and the underlying assets to evaluate the level of prepayment and default risk. Our advanced, proprietary analytics are key to our investment process; these models help to determine the underlying asset value and borrower credit. In order to understand possible variations of security values, our team thoroughly assess the behaviour and incentives of the securitised asset's originators and servicers. Each security is analysed both on its individual metrics and in the context of the overall portfolio. This allows us to construct more efficient portfolios that provide diversified exposure to the securitised sector.

The Right Time for Securitised Assets?

The prospect of monetary stimulus withdrawal and rising interest rates presents a challenging backdrop to investors. Securitised assets provide a valuable opportunity to allocate to securities that are less sensitive to the macroeconomic environment than "traditional" fixed income. Within the securitised sector, we believe that there are selective opportunities to pick-up yield relative to unsecured debt of similar credit quality. The recent stabilisation and recovery of the European property market and quantitative easing programmes from the European Central Bank have improved the reliability of cash flows and provided broad support to the European MBS market. In the U.S., the sustained growth of the economy and gradual recovery of the housing market supports the non-agency RMBS sector. We believe that a strong top-down case, combined with our in-depth bottom-up capabilities allows our team to identify the best securities available within each segment of the securitised market.

Our Experienced Team Manage Assets Across the Entire Securitised Universe ($m)



Source: Morgan Stanley Investment Management, data as at 30 June 2017. May not sum to 100% due to rounding.

[1] Effective 15 January 2018, the Morgan Stanley Investment Funds Global Mortgage Securities Fund was renamed Morgan Stanley Investment Funds Global Asset Backed Securities Fund (the "Fund").

This represents how the portfolio management team generally implements its investment process under normal market conditions included here for informational purposes only.

Investment Team	INVESTMENT EXPERIENCE
Gregory A. Finck, *Managing Director*	27 years
Neil Stone, *Managing Director*	34 years

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

Differentiators

1. Experienced Team

We have research expertise across the entire spectrum of the mortgage market including: origination and financing, securitisation, asset valuation, behavioural modelling, prepay-ment and default modelling.

2. Diversification Benefits[2]

Provides the opportunity to diversify a portfolio with a higher-yielding, fixed income investment alternative.

3. Proprietary Quantitative Analytics

We utilise advanced, proprietary analytics to evaluate both asset valuations and borrower credit.

4. Global Presence

Our investment team is located across the globe, with a presence in the U.S., Europe and Asia.

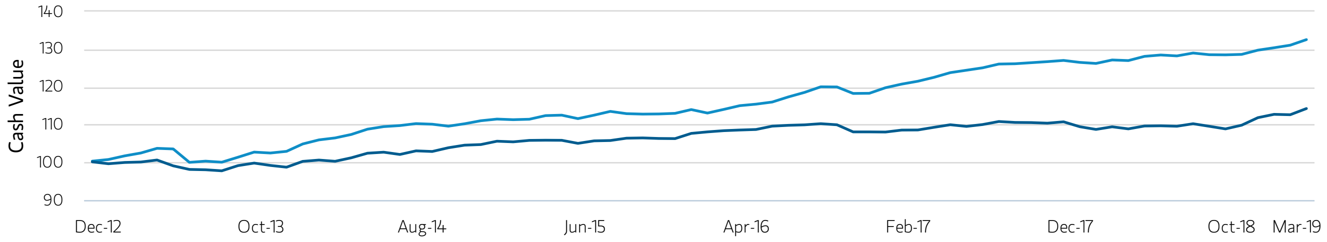
5. Unique Securities

In an environment characterised by potentially rising rates, these securities are less affected by this change in risk in comparison with traditional fixed income investments.

[2] Diversification does not protect against a loss in a particular market; however it allows to spread that risk across various asset classes.

MS INVF Global Asset Backed Securities Fund

Class Z (% net of fees) Performance of 100 USD Invested Since Inception (03 December 2012)



— **Class Z Shares** — **Bloomberg Barclays U.S. Mortgage Backed Securities (MBS) Index**

12 Month Performance Periods to Latest Month End (%)

	MARCH '18 - MARCH '19	MARCH '17 - MARCH '18	MARCH '16 - MARCH '17	MARCH '15 - MARCH '16	MARCH '14 - MARCH '15
Class Z Shares	4.25	4.64	6.56	2.33	4.66
Bloomberg Barclays U.S. Mortgage Backed Securities (MBS) Index	4.42	0.77	0.17	2.43	5.53

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. All data as of 31 March 2019 and subject to change daily. Please visit our website www.morganstanley.com/im to see the latest performance returns for the fund's other share classes.

Share Class Z Risk and Reward Profile

Lower Risk — **Higher Risk**

1 2 **3** 4 5 6 7

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.
- 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.

INDEX INFORMATION

The **Bloomberg Barclays U.S. Mortgage Backed Securities (MBS) Index** tracks agency mortgage backed pass-through securities (both fixed-rate and hybrid ARM) guaranteed by Ginnie Mae (GNMA), Fannie Mae (FNMA), and Freddie Mac (FHLMC). The index is constructed by grouping individual TBA-deliverable MBS pools into aggregates or generics based on program, coupon and vintage.

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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. Luxemburg 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 semi-annual 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'Ile, 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.

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