

Morgan Stanley

INVESTMENT MANAGEMENT

An Active and Unconstrained Approach to Capture Opportunities

MORGAN STANLEY INVESTMENT FUNDS (MS INVF)

European Fixed Income Opportunities

FIXED INCOME

GLOBAL FIXED INCOME TEAM

INVESTMENT IDEA

30 APRIL 2021

SHARE CLASS

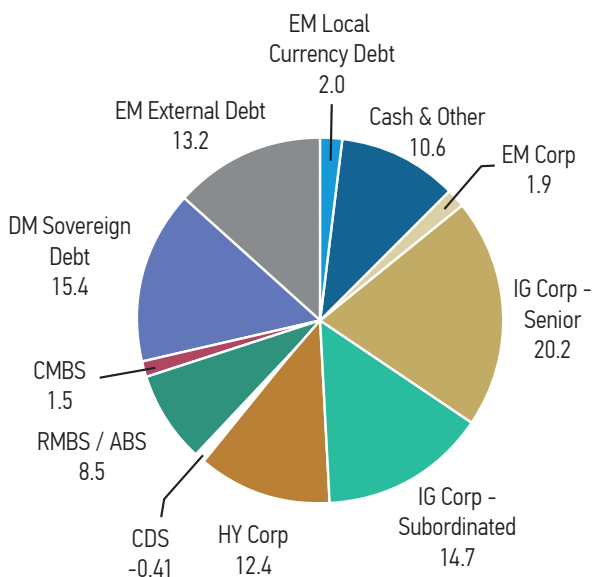
Class Z

LU1109965860

Why own fixed income assets in a portfolio? It is our belief that income generation, capital preservation and lower correlation with other asset classes are the most compelling rationales. And while late cycle, expensive and volatile equity valuations, in our view, bolster the case for holding bonds, low interest rates and high duration seem to be giving investors pause. We believe this makes the case for the **MS INVF European Fixed Income Opportunities Fund (EFIO)** as it takes a multi-sector, flexible investment approach aiming at generating attractive returns uncorrelated with risky assets, while mitigating drawdowns and volatility by ensuring that no single risk dominates the portfolio.

Diversification across fixed income sectors offers potential to manage risk

EFIO sector distribution (%) as of 30 April 2021



Diversification does not eliminate the risk of loss. As of 30 April 2021. **Past performance is not indicative of future results.**

1

Active "Go Anywhere" Approach Targeting Total Return

Impacts from the coronavirus have increased volatility and dispersion among different sectors. With a broad range investment universe – Government bonds, Credit (including Investment Grade and High Yield), Securitised, Emerging Markets, and Currencies – the Fund actively seeks out diverse return sources and rotates between sectors over the cycle while populating these sector sleeves with the best bottom-up ideas.

2

Benchmark Agnostic

We believe that investing closely to benchmarks exposes investors to too much duration risk and segments of the market that offer unattractive returns. With an absolute duration range of 0 to 6 years, the Fund aims to mitigate downturns by reducing duration amid rising rates, offering the potential to outperform traditional Fixed Income indices with higher interest rate risk.

3

Investment Grade and Euro Focused

The Fund invests a minimum of 80% in euro denominated assets and a minimum of 70% in Investment Grade securities. There is no hedging cost for euro-based investors, which could rise should rate normalization be enacted by the Fed at a faster pace than the European Central Bank (ECB).

Investment Performance* – Class Z (% of net fees) in EUR Ending 31 May 2021

	1	3	5	10	SINCE INCEPTION 30/09/2014
	YEAR	YEARS	YEARS	YEARS	
European Fixed Income Opportunities Fund	5.37	2.04	2.22	–	1.75

PORTFOLIO CHARACTERISTICS – CLASS Z ENDING 31 MAY 2021

Duration (years)	3.00
Average yield to maturity (%)	1.49

* Returns are net of fees and assume the reinvestment of all dividends and income. Performance for other share classes will vary. Past performance is not indicative of future results.

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12-Month Performance Periods to Latest Month End – Class Z (%)

Class Z	MAY '16 - MAY '17	MAY '17 - MAY '18	MAY '18 - MAY '19	MAY '19 - MAY '20	MAY '20 - MAY '21
Class Z	4.73	0.30	0.61	0.23	5.37

Past performance is not indicative of future results.

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.
- Investment in Fixed Income Securities via the China Interbank Bond Market may also entail additional risks, such as counterparty and liquidity risk.
- 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

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. **Average yield to maturity** 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.

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