

MORGAN STANLEY INVESTMENT FUNDS (MS INVF)

Global Convertible Bond Fund

GLOBAL FIXED INCOME TEAM
INVESTMENT IDEA
MARCH 2021



MORNINGSTAR OVERALL RATING¹
EAA FUND CONVERTIBLE BOND –
GLOBAL, USD HEDGED
CLASS Z SHARES

Out of 164 Funds. Based on Risk Adjusted Return. Class Z Shares: 3yr. rating 5 Stars; 5yr. rating 5 Stars; 10yr. rating 4 Stars.

SHARE CLASS

Class Z

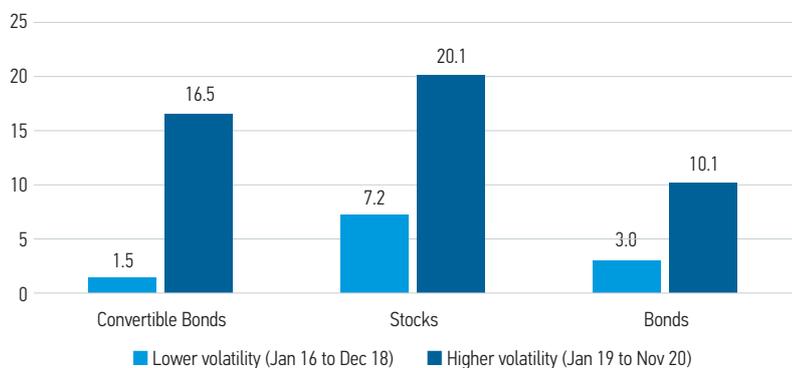
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A Highly Differentiated Solution for Fixed Income Investors

2020 was a year of disruption like no other, accelerating trends that created new investment opportunities in an often overlooked asset—convertible bonds.

The **MS INVF Global Convertible Bond Fund** is an actively managed, higher quality solution that seeks to capture opportunities within the convertible bond market, offering an attractive, lower risk alternative to stocks while offering bond investors significant diversification and more potential upside through highly differentiated exposure to high growth sectors, including technology and healthcare.

High Volatility Has Historically Created Attractive Returns for Convertibles²



The index performance is provided for illustrative purposes only and is not meant to depict the performance of a specific investment. **Past performance is no guarantee of future results.**

Sources: MSIM, Bloomberg as of 30 November 2020.

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

¹ Ratings as of 31 March 2021.

² Asset classes represented by indexes. See page 3.

1 Market Volatility Creates More Opportunities

2021 began with a repeat of the volatility we saw last year. Since a convertible bond is comprised of a regular corporate bond and an equity option, the more volatility there is in the equity market, the greater the value of the option. That means when volatility is rising, convertible bonds become more valuable.

2 Market Momentum Is Looking Favorable

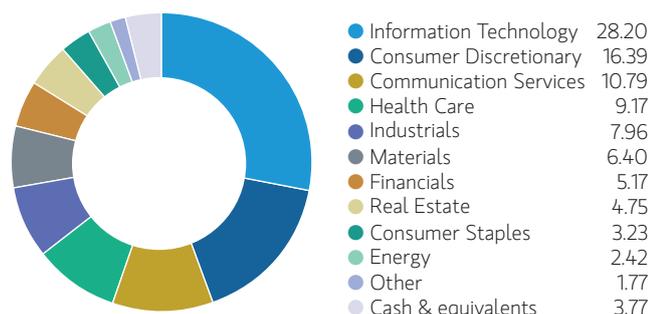
Many technology firms are among the biggest beneficiaries of the economic upheaval created by the pandemic, as shown in the outperformance of growth sectors last year. Work, shopping and education shifted online—a trend we believe will continue to have an outsized impact on the convertibles market given the higher weight of technology-based issuers with the market.

3 Increased Supply Is Creating Attractive Valuations

New convertible issuance reached over \$140bn in 2020, a level not seen in over 10 years. Since demand has not yet caught up to the new supply, we believe convertibles are attractively priced, especially compared to other asset classes, where pricing is much tighter. This increased supply has also created a wealth of new opportunities, especially in the tech sector, who issued convertibles to help fund new growth.

The Fund Is Weighted Toward Favorable Growth Sectors

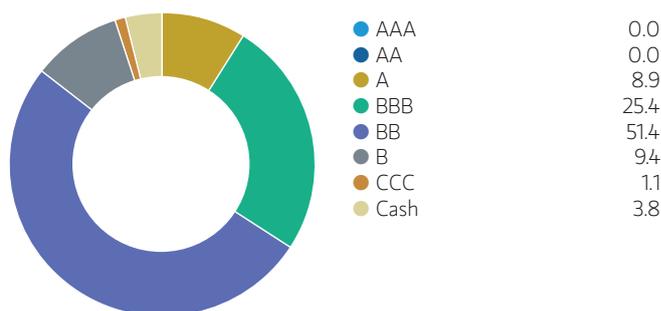
% of Total Net Assets (as of 31 March 2021)



Source: Morgan Stanley Investment Management.

Focus on Credit Quality Aims to Manage Risk

% of Total Net Assets (as of 31 March 2021)



Investment Performance – (net of fees)²

Average annual total return (Periods ending 31 March 2021)

	SINCE INCEPTION				
	1 YEAR	3 YEAR	5 YEAR	10 YEAR	17/07/2002
Class Z Shares (%)	40.78	11.94	9.26	5.99	6.66
Blended Benchmark (%)	35.55	10.68	8.46	6.41	7.18

12-Month Performance Periods to Latest Month End

	MAR '16 – MAR '17	MAR '17 – MAR '18	MAR '18 – MAR '19	MAR '19 – MAR '20	MAR '20 – MAR '21
Class Z Shares (%)	7.49	3.30	2.20	-2.51	40.78
Blended Benchmark (%)	7.02	3.41	3.16	-3.03	35.55

Portfolio Characteristics – Class Z

(As of 31 March 2021)

	FUND	BENCHMARK
Duration (years)	3.47	3.14
Current Yield (%)	0.58	0.54
Conversion Premium	40.86	31.90

Investment Team

	YEARS OF INDUSTRY EXPERIENCE
Tom D. Willis	23
Christian G. Roth	34
Richard Class	21

Team members may change, without notice, from time to time.

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 [click here](#) for additional performance disclosures and important information, which should be reviewed carefully.

The Blended Benchmark performance shown is calculated using the ICE BofAML G300 Global Convertible Index Local Currency to 31 October 2005, the ICE BofAML G300 Global Convertible Index USD Hedged to 30 April 2011 and the Refinitiv Convertible Global Focus (USD Hedged) Index thereafter. Effective 21 February 2020, the Thomson Reuters Convertible Global Focus (USD Hedged) Index was renamed to Refinitiv Convertible Global Focus (USD Hedged) Index.

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

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. **Conversion Premium** is the amount by which the price of a convertible security exceeds the current market value of the common stock into which it may be converted. **Current Yield** is a measure that looks at the current price of a bond instead of its face value and represents the return an investor would expect if he or she purchased the bond and held it for a year. Calculated by dividing the Annual Cash Inflows / Market Price.

INDEX DEFINITIONS

ICE BofAML G300 Global Convertible Index - Local Currency is a global convertible index composed of companies representative of the market structure of countries in North America, Europe and the Asia/Pacific region. It is composed of securities denominated in their respective local currencies. **ICE BofAML G300 Global Convertible Index USD Hedged** is a global convertible index composed of companies representative of the market structure of countries in North America, Europe and the Asia/Pacific region. It is hedged to the U.S. dollar. The **Refinitiv Convertible Global Focus USD Hedged Index** is a market weighted index with a minimum size for inclusion of \$500 million (US), 200 million (Europe), 22 billion Yen, and \$275 million (Other) of Convertible Bonds with an Equity Link.

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