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MORGAN STANLEY INVESTMENT FUNDS

Société d'Investissement à Capital Variable

Registered office: 6B, route de Trèves, L-2633 Senningerberg

R.C.S. Luxembourg: B 29 192

(The “**Company**”)

NOTICE TO SHAREHOLDERS

Luxembourg, 30 November 2018

Dear Shareholder,

We are writing to you as a holder of shares in one or more funds of the Company (each a “**Fund**” and collectively, the “**Funds**”).

In view of the forthcoming departure of the United Kingdom from the European Union, the board of directors of the Company (the “**Board**”) has decided to replace the current management company, **Morgan Stanley Investment Management (ACD) Limited** with a management company of the Morgan Stanley group which is located in a European Union Member State.

The Board has further decided to proceed with some other amendments to the prospectus of the Company (the “**Prospectus**”) as disclosed below.

I. Change of management company and global distributor

In view of the forthcoming departure of the United Kingdom from the European Union, the Board has decided to appoint **MSIM Fund Management (Ireland) Limited**, regulated in Ireland by the Central Bank of Ireland and having its registered office at The Observatory, 7-11 Sir John Rogerson’s, Quay, Dublin 2 D02 VC42, Ireland, as management company to the Company (the “**Management Company**”).

The Company will delegate to the Management Company, under the overall supervision and control of the Board, its investment management, administrative agency, registrar and transfer agency services as well as marketing, principal distribution and sales services, as detailed in the management company services agreement entered into with the Management Company and in the Prospectus.

The Management Company will in turn delegate the investment management functions to **Morgan Stanley Investment Management Limited** (with respect to any Fund other than the US Dollar Liquidity Fund) and **Morgan Stanley International & Co. plc** (with respect to the US Dollar Liquidity Fund) which are the Company’s current investment advisers.

Morgan Stanley Investment Management (Ireland) Limited will also be appointed as new sub-investment adviser in relation to such Funds as agreed from time to time.

The central administration functions will be delegated to the Company’s current central administration, **J.P. Morgan Bank Luxembourg S.A.**, the depositary and custodian functions will be delegated to the Company’s current depositary and custodian, J.P. Morgan Bank Luxembourg S.A. and the registrar

and transfer agent function to **RBC Investors Services Bank S.A.**, the Company's current registrar and transfer agent.

The marketing and distribution functions will be delegated to Morgan Stanley Investment Management (Ireland) Limited which will act as global distributor with authority to appoint sub-distributors.

The above-mentioned delegations are not expected to impact the performance of the services or the fees payable thereunder, or on the management or composition of the underlying portfolio.

The above-mentioned delegations will be effective as of 1 January 2019 and are included in the version of the Company's Prospectus dated November 2018.

II. Amendments applicable to specific Funds

- **Amendment to the investment policy regarding investment in China A-Shares via Stock Connect for certain Asset Allocation Funds**

The Board has resolved to amend the investment policy of each of the following Funds so that each of these Funds has the option to invest up to 10% of each such Fund's net assets in China A-Shares via Stock Connect.

- Global Balanced Fund;
- Global Balanced Defensive Fund; and
- Global Balanced Income Fund.

Following MSCI's addition of China A-Shares to many of the key global indices this year, the Investment Adviser of the relevant Funds wishes to amend each Fund's investment universe to include China A-shares. Stock Connect means the Shanghai-Hong Kong and Shenzhen-Hong Kong Stock Connect programs which allows non-Chinese investors to purchase certain China A-Shares via brokers in Hong Kong.

While the overall risk profile of the relevant Funds will not change due to the change in the investment policy, investors should also note the risk factors associated with Stock Connect in the Prospectus.

- **Amendments to the investment guidelines for certain Bond Funds**

The Board has resolved to amend or, in the case of the Absolute Return Fixed Income Fund, clarify the investment policy of each of the following Funds to restrict investments in securities that are rated below B- (or below BBB- in the case of Asset Backed Securities, including Mortgage Backed Securities) by Standard & Poor's Corporation or an equivalent rating from another rating agency or an equivalent internal rating from the Investment Adviser as at the date of investment:

- Absolute Return Fixed Income Fund;
- Euro Bond Fund;
- Euro Corporate Bond Fund;
- Global Credit Fund;
- Short Maturity Euro Bond Fund; and
- US Dollar Corporate Bond Fund.

Therefore, the reference to "*high quality issues of*" Fixed Income Securities as referred to the investment policies of the above mentioned Funds (with the exception of the Absolute Return Fixed Income Fund) shall be removed.

In the event that any securities held by the Fund are subsequently downgraded to a rating below B-

(or below BBB- in the case of Asset Backed Securities, including Mortgage Backed Securities), the Investment Adviser may maintain a maximum total exposure of 3% of the Fund's Net Asset Value to such downgraded securities but will divest any such security that has not been upgraded to a rating of at least B- within six months of its downgrade.

The amendments seek to clarify to investors the Investment Adviser's approach to investing in lower rated securities and maintaining investments in downgraded securities. The overall risk profile of the relevant Funds will not change due to the amendment to the investment policies.

- **Amendments to the investment policy of European Champions Fund and European Equity Alpha Fund**

Following the departure of the UK from the EU and the European Economic Area ("EEA"), the securities of issuers which have their registered office in the UK will no longer qualify towards the 75% minimum holding required for the French "Plan d'Epargne en Actions" ("PEA") regime. As the Funds will therefore not have portfolios meeting the minimum of 75% of securities of issuers with their registered offices in the EU or the EEA, the Funds will no longer be able to claim eligibility to the PEA regime.

Accordingly, the investment policies of each of the European Champions Fund and European Equity Alpha Fund will be amended by deleting the final paragraph of the investment policies.

There will be no material change to the overall risk profile of the Funds.

The change in investment policy will not materially prejudice the rights or interests of existing investors of European Champions Fund and European Equity Alpha Fund. There will be no change in the fee structure, the fee level or cost in managing the Funds.

The above-mentioned changes listed under II. will be effective as of 1 January 2019 and are included in the version of the Company's Prospectus dated November 2018.

Your options

1. If you agree to the changes, you do not need to take any action. The changes will automatically go into effect for the above-mentioned Funds as of 1 January 2019.

2. If you disagree with the amendments noted above, you may either:

a) Convert your Shares into another Fund. Any applications for conversion must be received by 1 pm CET on 31 December 2018 and be made in accordance with section 2.4 "Conversion of Shares" of the Prospectus. Please ensure that you read the Key Investor Information Document (KIID) for any fund that you are considering converting into and seek advice from your financial adviser if you are unsure about the action you should take.

Or,

b) Redeem your investment. Any applications for redemption must be received by 1 pm CET on 31 December 2018.

Conversions or redemptions will be processed free of charge, with the exception of any applicable

Contingent Deferred Sales Charges (“**CDSC**”), (save as described below) at the relevant net asset value per share on the Dealing Day on which the relevant shares are redeemed or converted, in accordance with the terms of the Prospectus.

III. Clarifications applicable to specific Funds

• Clarification of the investment policy on investments in UCITS/UCIs for certain Funds

The board of directors of the Company (the “**Board**”) has resolved to clarify the investment policy of each of the following Funds to confirm that each of these Funds may invest up to 10% of actually invested assets (net assets after deducting cash and cash equivalents) in units/shares of other collective investment schemes, including the Company’s Funds and open-ended ETFs provided that any ETFs are eligible investments for UCITS funds:

- Absolute Return Fixed Income Fund;
- Asian Fixed Income Opportunities Fund;
- Emerging Markets Fixed Income Opportunities Fund;
- Euro Corporate Bond Fund;
- Euro Corporate Bond – Duration Hedged Fund;
- Euro Strategic Bond Fund;
- Euro Strategic Bond – Duration Hedged Fund;
- European Currencies High Yield Bond Fund;
- European Currencies High Yield Bond – Duration Hedged Fund;
- Global Asset Backed Securities Fund;
- Global Buy and Maintain Bond Fund;
- Global Credit Fund;
- Global Fixed Income Opportunities Fund;
- Global High Yield Bond Fund;
- Short Maturity Euro Bond Fund;
- US Dollar Corporate Bond Fund;
- US Dollar High Yield Bond Fund;
- US Dollar Short Duration Bond Fund; and
- US Dollar Short Duration High Yield Bond Fund.

Each Fund was already managed in such a way that it meets these restrictions, which do not require any change to the way in which the Fund is managed or its risk profile, but in order to provide transparency for all investors in the Fund, the restrictions are being added to the investment policy.

Such clarifications are included in the version of the Company’s Prospectus dated November 2018.

• Clarification of the investment policy of Global Sustain Fund

The Board has resolved to clarify the investment policy of the Global Sustain Fund that investments shall not knowingly include any company whose core business activity includes civilian firearms. This Fund is already managed to take account of this restriction, so it do not require any change to the way in which the Fund is managed or its risk profile, but the amendment is included in order to provide transparency for all investors in the Fund.

Such clarification is included in the version of the Company’s Prospectus dated November 2018.

A copy of this new Prospectus is available upon request at the registered office of the Company.

Capitalised terms used in this notice shall have the meaning ascribed to them in the current Prospectus, unless the context otherwise requires.

The Board accepts responsibility for the accuracy of the information contained in this notice. The Prospectus and the relevant Key Investor Information Document are available to investors, free of charge, at the registered office of the Company or at the offices of foreign representatives.

Should you have any questions or concerns about the foregoing, please contact the Company at its registered office in Luxembourg, the Investment Adviser of the Company or the representative of the Company in your jurisdiction. You should inform yourself of, and where appropriate take advice on, the tax consequences of the foregoing in your country of citizenship, residence or domicile.

Yours sincerely

On behalf of the Company

MORGAN STANLEY INVESTMENT MANAGEMENT (ACD) LIMITED