Morgan Stanley Investment Funds

Emerging Markets Corporate Debt Fund

EMERGING MARKETS DEBT TEAM

Performance Review

In the one month period ending 31 May 2024, the Fund's Z shares returned 1.99% (net of fees)[1], while the benchmark returned 1.46%.

Contributors to Relative Performance

- An overweight to Indian metals and mining company Vedanta, whose bonds had a volatile start to the year but rallied recently with the rebound in zinc and silver prices.
- An overweight to Colombian financial company Banco de Occidente, following its successful international bond debut.
- An overweight to Colombian energy company Canacol Energy, whose bonds rose on improvements in the company's liquidity/debt servicing ability, exploration success and increasing year-over-year production figures for April, as well as indication of asset sales.

Detractors from Relative Performance

- An overweight to Paraguayan protein company Frigorifico Concepcion, which was downgraded and placed on negative ratings watch by Fitch Ratings agency in May. This action was driven by concerns around the company's ability to access refinancing and capital expenditure plans, putting pressure on free cash flow.
- A zero weight to Hong Kong real estate company New World Development, which performed well in the month.
- A zero weight to Hong Kong real estate company Vanke, which rallied in the month.

Market Review

May performance was positive for the major segments of emerging markets debt (EMD). Global bond markets reacted positively to softer-than-expected U.S. inflation for April, and this helped support EMD assets as well. Emerging markets (EM) monetary policy easing has slowed relative to earlier this year and 2023, and continued easing will likely be variable until the U.S. Federal Reserve starts to cut interest rates. Most EM currencies strengthened month-over-month, and the U.S. dollar weakened. The Chilean peso rallied as copper, a major export for the country, continued the price rally that started earlier this year. One notable outlier was the Philippine peso, which continued its year-to-date weakening as inflation in the country remains sticky. Neighboring Indonesia hiked rates in April as inflation continued to accelerate, and in an effort to support the currency, but a rate hike in the Philippines is not likely due to the potential negative impact on economic growth. Also in Asia, the Chinese property sector received government support, notably with the provision of 300 billion renminbi ($42 billion) for state purchases of unsold homes, which supported a rally of some bonds. Spreads marginally tightened for EM corporate bonds during the month, but both sovereign and corporate debt were supported by the fall in U.S. Treasury yields. After a brief reversal in flows for hard currency bonds in April, both local currency and hard currency bonds reverted to outflows in May.

Performance turned positive for the main EMD indexes in May. The U.S. dollar-denominated sovereign index, the J.P. Morgan EMBI Global Diversified Index, led performance, up 1.80%. The local segment, the J.P. Morgan Government Bond Index-Emerging Markets Global Diversified, was up 1.61%. Finally, the corporate space, as measured by the J.P. Morgan CEMBI Broad Diversified Index, was up 1.46%.

Portfolio Activity

During the month, we added exposure to Colombian financial company Banco de Occidente and Hong Kong conglomerate CK Hutchison International, while reducing exposure to Mexican energy company Pemex and Argentinian energy company YPF.

Strategy and Outlook

We believe valuations for emerging markets debt are still attractive, and assets are cheap, which presents a favorable entry point for investors. Spreads for hard currency assets are near long-term averages, but bifurcation in the markets and off-benchmark countries provide opportunity for investors. The direction of monetary policy in the U.S. is likely easing, which should provide a supportive backdrop for EM assets. However, growth expectations — along with credible monetary policy — will likely continue to support local assets. Real yields are near historic high levels, and with continued falling inflation, this creates a good environment for bond investors. Reform stories and positive turns in policy continue to make progress, which is exciting for a team of country pickers.

For further information, please contact your Morgan Stanley Investment Management representative.

[1] Source: Morgan Stanley Investment Management Limited. Data as of 31 May 2024.

Fund Facts

Launch date	07 March 2011
Base currency	U.S. dollars
Benchmark	JPM Corporate Emerging Markets Bond Index-Broad Diversified Index

Calendar Year Returns (%)

Past performance is not a reliable indicator of future results.

	YTD	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Class Z Shares	4.17	9.30	-13.06	-0.02	5.00	13.22	-4.52	10.67	10.77	-0.26	4.93
JPM Corporate Emerging Markets Bond Index-Broad Diversified Index	2.89	9.08	-12.26	0.91	7.13	13.09	-1.65	7.96	9.65	1.30	4.96

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.**

Share Class Z Risk and Reward Profile

- The fund may be impacted by movements in the exchange rates between the fund's currency and the currencies of the fund's investments.
- 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.
- Sustainability factors can pose risks to investments, for example: impact asset values, increased operational costs.
- 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.

Please refer to the Prospectus for full risk disclosures. All data as of 31 May 2024 and subject to change daily.

Applications for shares in the Fund should not be made without first consulting the current Prospectus and the Key Information Document ("KID") or Key Investor Information Document ("KIID"), which are available in English and in the official language of your local jurisdiction at morganstanleyinvestmentfunds.com or free of charge from the Registered Office of Morgan Stanley Investment Funds, European Bank and Business Centre, 6B route de Trèves, L-2633 Senningerberg, R.C.S. Luxemburg B 29 192.

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INDEX INFORMATION

JP Morgan CEMBI Broad Diversified Index a global, liquid corporate emerging-markets benchmark that tracks U.S.-denominated corporate bonds issued by emerging-markets entities.

JP Morgan GBI-EM Global Diversified Index: a comprehensive global local emerging markets index that consists of regularly traded, liquid fixed-rate, domestic currency government bonds and includes only the countries which give access to their capital market to foreign investors (excludes China, India). The index is market capitalization weighted, with a cap of 10% to any one country.

J.P. Morgan Emerging Markets Bond Index Global Diversified tracks total returns for traded external debt instruments in the emerging markets, and is an expanded version of the EMBI+. As with the EMBI+, the EMBI Global includes US dollar-denominated Brady bonds, loans, and Eurobonds with an outstanding face value of at least $500 million.

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