Morgan Stanley Investment Funds

Emerging Markets Debt Fund

Investors should note that, relative to the expectations of the Autorité des Marchés Financiers, this UCITS presents disproportionate communication on the consideration of extra-financial criteria in its management.

EMERGING MARKETS DEBT TEAM

Performance Review

In the one month period ending 31 October 2024, the Fund's Z shares returned -0.58% (net of fees)[1], while the benchmark returned -1.72%.

Contributors to Relative Performance

- An overweight to Sri Lankan sovereign credit contributed to performance after debt restructuring received support from creditors and the International Monetary Fund (IMF).
- An overweight to Egyptian sovereign credit supported performance, as positive progress on reform measures continues.
- An overweight to Angolan sovereign credit contributed to performance after gross domestic product grew in the first two quarters of 2024 and the government promised to implement a national school feeding plan in 2025.

Detractors from Relative Performance

- An underweight to Argentine sovereign credit detracted from performance.
- An overweight to Ecuadorian sovereign credit hampered performance, as concerns about power blackouts and security escalated.

Market Review

Performance was negative for emerging markets debt (EMD) markets during the month of October. Uncertainty surrounding the U.S. election caused Treasury yields to rise, reversing the third quarter rally, and the U.S. dollar strengthened. Emerging markets (EM) currencies broadly sold off and sovereign and corporate credit spreads compressed. Latin American currencies, in particular, suffered, with the Chilean peso, Colombian peso and Brazilian real selling off notably due to falling commodity prices and concerns about a shift in Federal Reserve (Fed) policy. The Uruguayan peso rallied following positive results from the country's general election, where a controversial pension overhaul reform failed to pass. The 2024 Annual Meetings of the IMF and World Bank Group were held in late October in Washington, D.C., where discussions of the U.S. election were apparent in many meetings, and the consensus was that global growth is expected to be stable and modest. The "sugar high" from China's coordinated policy measures announced in September subsided during the month as the Chinese yuan sold off and equities, as measured by the MSCI China Index, declined almost 6%. Asset class flows turned negative for hard currency funds, while local currency funds were flat — year-to-date, the asset class remains in outflows, although not nearly as severe as the previous two years.[2]

Performance turned negative for the major segments of EMD. The EM corporate index, the J.P. Morgan CEMBI Broad Diversified Index, was down -0.86%. The U.S. dollar-denominated sovereign index — the J.P. Morgan EMBI Global Diversified Index — was down -1.72%. Finally, the local segment, represented by the J.P. Morgan Government Bond Index-Emerging Markets Global Diversified, was down -4.61%.

Portfolio Activity

During the month we added exposure to Ukraine and reduced exposure to Romania and Panama.

Strategy and Outlook

Uncertainty surrounding the U.S. election is causing some degree of volatility in the macro environment, but opportunity is prevalent in areas of emerging markets debt. The Fed is expected to continue to cut interest rates this year, which will be supportive for EM central banks, and we believe select overweights in EM local rates will be a good place to be when those EM central banks do cut rates. Broadly, we continue to look beyond the benchmark for countries making structural changes and positive reforms. By diversifying[3] away from high-beta EM countries that are more likely to be subject to market swings, we can focus on country fundamentals and good policy that are likely to drive EM asset performance. Fundamentals are very differentiated across emerging markets, so country-level analysis is critical for uncovering value.

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

1 Source: Morgan Stanley Investment Management Limited. Data as of 31 October 2024.
2 Source: J.P. Morgan. Data as of 31 October 2024.
3 Diversification neither assures a profit nor guarantees against loss in a declining market.

Fund Facts

Launch date	01 April 1995
Base currency	U.S. dollars
Benchmark	Primary- J.P. Morgan Emerging Markets Bond Index Global Diversified

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	10.75	13.56	-18.46	-2.03	6.96	14.68	-6.79	10.11	10.49	-2.13	2.84
Blended Benchmark	6.78	11.09	-17.78	-1.80	6.45	14.42	-4.61	9.32	10.19	1.23	5.53

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 October 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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If the management company of the relevant Fund decides to terminate its arrangement for marketing that Fund in any EEA country where it is registered for sale, it will do so in accordance with the relevant UCITS rules.

INDEX INFORMATION

Blended Benchmark refers to performance of Fund's benchmark since inception - April 1st, 1995 to June 8th, 2020 – **J.P. Morgan Emerging Markets Bond Index Global**; June 8th, 2020 and beyond – **J.P. Morgan Emerging Markets Bond Index Global Diversified**.

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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