Morgan Stanley Investment Funds

Global Convertible Bond 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.

HIGH YIELD TEAM

Performance Review

In the one month period ending 31 October 2024, the Fund's Z shares returned -1.19% (net of fees)[1], while the benchmark returned 0.33%.

Consumer discretionary and real estate were the Fund's top-performing sectors relative to the benchmark in October. Relative outperformance in the consumer discretionary sector was driven by favorable security selection and was led by a lack of exposure to an online retailer. The company saw its bond fall as third-party data showed slowing consumer trends, particularly in online furniture, which is one of the issuer's biggest categories. Relative outperformance in the real estate sector was driven by an underweight position in the sector. The primary individual contributor was a lack of exposure to an online real estate marketplace.

Information technology and financials were the Fund's worst-performing sectors relative to the benchmark during the month. Relative underperformance in the information technology sector was driven by challenging security selection and was largely driven by a lack of exposure to a U.S.-based bitcoin and software development company, which is the largest corporate holder of bitcoin in the world. This position in the FTSE Global Focus Convertible (USD Hedged) Index was up approximately 35% during the month, as the cryptocurrency performed well in October. The Fund's lack of exposure to the issuer was also the largest detractor from an issuer perspective and accounted for a large majority of relative underperformance during the period. Relative underperformance in the financials sector was also driven by adverse credit selection. The primary individual detriment in the sector was a lack of exposure to an online personal finance company that continues to perform well.

Market Review

Global convertible bonds eked out a modest gain in October, but performance was largely driven by the aforementioned issuer in the information technology sector. The strong performance of this single issuer helped the asset class outperform both global equities and global bonds during October. The FTSE Global Focus Convertible (USD Hedged) Index rose 0.33% during the month, while the MSCI All Country World Index and the Bloomberg Global Aggregate Credit Index fell -2.24% and -2.72%, respectively. New issuance was strong again in October, but was largely driven by a large U.S.-based company that issued a $5 billion mandatory convertible preferred security. In total, $11.1 billion priced during the month, which brought year-to-date issuance to $94.2 billion. This represents a 45% increase over the same time period in 2023.[2]

Strategy and Outlook

We remain constructive on the global convertible bond market as we progress through the fourth quarter. Technicals are strong, as convertible bonds have maintained a balanced profile, interest rates are relatively high, equity valuations have continued to increase, and corporations have financing needs. New convertible bond issuance was strong in the first nine months of the year, and we expect issuance to remain strong despite interest rate cuts from global central banks and potential volatility from the U.S. election and rising geopolitical tensions. A more traditional asymmetric return profile, coupled with steady, strong supply, continues to give us optimism for global convertible bonds in the final quarter of the year.

Global equities performed well in the first nine months of the year, but the strong returns continued to be driven by a small cohort of large-cap technology names that typically do not issue convertible bonds. This phenomenon caused equal-weighted indexes to significantly lag the market value-weighted indexes that are dominated by these large technology companies. We continue to believe that this presents a good opportunity for the equities of other companies to appreciate over time, which likely will ultimately benefit convertible bonds.

Volatility was low at the end of the third quarter; however, we expect volatility to increase as we progress through the latter half of 2024. We see risk in the form of: a deteriorating lower-end U.S. consumer; strained supply-and-demand dynamics in commercial real estate; political dysfunction in the U.S., coupled with one-party control of the U.S. presidency and, at the time of writing, likely both houses of Congress; the European Union's budgetary process; and wars on multiple continents, accompanied by the threat of escalation. These are some of the known factors that could contribute to a pickup in volatility. Convertible bonds can benefit from an increase in volatility as the option component of the security becomes more valuable.

Finally, global convertible bond supply has been strong this year and we believe that new issuance strength will likely continue through the remainder of the year due to the relatively high interest rate environment. Given the perceived higher-for-longer rate environment, this would equate to meaningful cash savings for corporate issuers. Additionally, companies will likely be more willing to offer company stock via a convertible bond after what has been a strong year for the equity market. Continued strength in the

[1] Source: Morgan Stanley Investment Management Limited. Data as of 31 October 2024.
[2] Source: Bank of America. Data as of 31 October 2024.

global convertible bond primary market will likely provide new, attractive investment opportunities as we progress through the final months of the year.

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

Fund Facts

Launch date	17 July 2002
Base currency	U.S. dollars
Benchmark	Primary- FTSE Global Focus Convertible (USD Hedged) 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	5.32	12.57	-12.47	3.88	22.30	14.82	-3.67	6.04	1.77	0.49	3.71
Blended Benchmark	6.78	9.84	-16.00	-1.11	22.84	13.10	-3.01	6.00	1.59	3.83	4.73

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.
- 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.

Information in relation to sustainability aspects of the Fund and the summary of investor rights is available at the aforementioned website.

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

The Blended Benchmark performance shown is calculated using the **ICE BofAML G300 Global Convertible Index** Local Currency to 31 October 2005, the I**CE 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 T**homson Reuters Convertible Global Focus (USD Hedged) Index** was renamed to **Refinitiv Convertible Global Focus (USD Hedged) Index.** Effective 30th June 2024, the **Refinitiv Convertible Global Focus (USD Hedged) Index** was renamed to the **FTSE Global Focus Convertible (USD Hedged) Index.**

The **FTSE Convertible Global Focus USD Hedged Index (Index) formerly known as Refinitiv Convertible Global Focus USD Hedged Index** is derived from the FTSE Convertible Global Index (Global Index) using Regional Market Capitalization, Percentage Price, and Premium criteria. It aims to represent a sub-set of the Convertible market by selecting a sub-set of constituents from the Global Index with a common set of defined characteristics representing issues with what is termed a “balanced” profile. The Index is a market weighted index with a minimum size for inclusion of $500 million (US), €375 million (Europe), 22 billion Yen (Japan), $275 million (Asia ex-Japan), and $275 million (Other) of Convertible Bonds with an Equity Link.

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 **MSCI All Country World Index** (ACWI) is a free float-adjusted market capitalization weighted index designed to measure the equity market performance of developed and emerging markets. The term "free float" represents the portion of shares outstanding that are deemed to be available for purchase in the public equity markets by investors. The performance of the Index is listed in U.S. dollars and assumes reinvestment of net dividends.

The **Bloomberg Barclays Global Aggregate Credit Index** is the credit component of the Barclays Global Aggregate index, which provides a broad-based measure of the global investment-grade fixed income market.

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