A Sub-Fund of Morgan Stanley Investment Funds

Emerging Markets Debt Fund

EMERGING MARKETS DEBT TEAM

Performance Review

In the one month period ending 31 January 2025, the Fund's I shares returned 2.13% (net of fees)[1], while the benchmark returned 1.44%.

Contributors to Relative Performance

- An overweight to Ecuadorian sovereign credit contributed as bonds rallied ahead of the country's general elections.
- An overweight to Sri Lankan sovereign credit was supportive as bonds rallied following a successful debt restructuring.

Detractors from Relative Performance

- An overweight to Hong Kong property developer New World Development detracted from performance after reported speculation of a potential default.
- An overweight to Argentine sovereign credit hampered performance.

Market Review

Emerging markets debt (EMD) markets had strong performance to start the year across the major segments of the asset class. Emerging markets (EM) currencies rallied in January, aided by the U.S. dollar weakening for most of the month. Sovereign credit spreads compressed while corporate spreads were flat, but both segments of the asset class benefited from the fall in U.S. Treasury yields. The Federal Reserve (Fed) met for its first meeting of the year and held rates, which was largely expected. President Trump started his presidency with a slew of executive orders and discussions of tariffs focused on China, Canada and Mexico, which added some volatility to the market; the administration's foreign policy and the future of tariffs are still uncertain. Colombia was momentarily caught in tariff crossfires following disagreements over U.S. deportation measures, but tariffs were subsequently dropped after policy discussions between the two countries. Brazil's central bank hiked rates as inflation remains stubborn and fiscal spending issues continued. Investors remain hesitant to invest in emerging markets debt, as shown by both local currency and hard currency funds seeing outflows during the first month of the year.

Performance for the major segments of EMD was positive for the month. The local segment of the asset class, represented by the J.P. Morgan Government Bond Index-Emerging Markets Global Diversified, was the strongest, up 2.05%. The U.S. dollar-denominated sovereign index, the J.P. Morgan EMBI Global Diversified Index, was up 1.44%. Finally, the EM corporate index — the J.P. Morgan CEMBI Broad Diversified Index — was up 0.80%.

Portfolio Activity

During the month, we added exposure to Egypt and Ukraine. We reduced exposure to Nigeria and El Salvador.

Strategy and Outlook

Emerging markets debt started the year off strong, aided by a weakening U.S. dollar and a fall in U.S. Treasury yields. While U.S. politics are often not directly related to emerging markets, policies can have spillover effects, and potential tariffs will likely have impacts at the individual country level. Our investment process remains focused on individual country-level fundamentals, so while foreign policy and trade policy are still in question, we will monitor this impact from the bottom-up. As the Fed's tone has turned less dovish, we may see more selective rate cuts from EM central banks, but real yield differentials between emerging and developed markets remain attractive. Additionally, continued U.S. dollar weakness would be a tailwind for EM currencies. We believe country selection and finding investment opportunities that are more shielded from U.S. policy will likely be key to drive performance in emerging markets debt.

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

Fund Facts

Launch date	01 April 1995
Base currency	U.S. dollars
Benchmark	Custom- Blended Benchmark

[1] Source: Morgan Stanley Investment Management Limited. Data as of 31 January 2025.

Calendar Year Returns (%)

Past performance is not a reliable indicator of future results.

	YTD	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Class I Shares	2.13	11.97	13.48	-18.53	-2.09	6.92	14.65	-6.83	10.07	10.44	-2.16
Blended Benchmark	1.44	6.54	11.09	-17.78	-1.80	6.45	14.42	-4.61	9.32	10.19	1.23

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 shares. The sources for all performance and index data is Morgan Stanley Investment Management ('MSIM Ltd'). **Please visit our website www.morganstanley.com/im to see the latest performance returns for the fund's other share classes.**

Share Class I 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, available at www.morganstanleyinvestmentfunds.com. All data as of 31.01.2025 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 language of countries authorized for fund distribution and is available online at Morgan Stanley Investment Funds Webpages or free of charge from the Registered Office at European Bank and Business Centre, 6B route de Trèves, L-2633 Senningerberg, R.C.S. Luxemburg B 29 192.

The summary of investor rights is available in the aforementioned languages and website location under the General Literature section.

Information in relation to sustainability aspects of the Fund is available in English online at: Sustainable Finance Disclosure Regulation.

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 UCITS rules.

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The use of leverage increases risks, such that a relatively small movement in the value of an investment may result in a disproportionately large movement, unfavourable as well as favourable, in the value of that investment and, in turn, the value of the Fund.

Investment in the Fund concerns the acquisition of units or shares in a fund, and not in a given underlying asset such as building or shares of a company, as these are only the underlying assets owned.

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Charts and graphs provided herein are for illustrative purposes only and subject to change.

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.

The index is unmanaged and does not include any expenses, fees or sales charges. It is not possible to invest directly in an index.

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A blended benchmark has been used because there has been a change in benchmark during the reporting period shown.

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

The **J.P. Morgan EMBI Global Diversified Index** tracks liquid, U.S. dollar emerging market fixed and floating-rate debt instruments issued by sovereign and quasi-sovereign entities.

The **JP Morgan GBI-EM Global Diversified Index** is 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.

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