

A Sub-Fund of Morgan Stanley Investment Funds Global Bond Fund

BROAD MARKETS FIXED INCOME TEAM

Important Information

- The Fund invests primarily in domestic, international and Euromarket fixed income securities of varying maturities denominated in US Dollars and other currencies, including emerging markets.
- Investment involves risks. Key risks for this fund include Interest Rate Risk, Credit Risk, High Yield Securities Risk, Exchange Rate Risk, Emerging Market Currency Risk, Derivatives Risk, Downgrading Risk, Unrated Securities Risk and Risk of Exposure to the Euro and Eurozone.
- There is a risk that you may potentially lose your entire investment in this Fund.
- The investment decision is yours but you should not invest unless the intermediary who sells it to you has advised you that it is suitable for you and has explained why, including how buying it would be consistent with your investment objectives. You should not make any investment decision solely based on this document. Please read the relevant offering document carefully for further fund details including risk factors.
- The Fund may use derivatives for investment or efficient portfolio management (including hedging) purposes which may expose to higher counterparty, liquidity and valuation risks. The Fund may suffer losses from its derivatives usage.

Performance Review

In the one month period ending 30 September 2025, the Fund's A shares returned 0.72% (net of fees)¹, while the benchmark returned 0.65%.

Positioning within the spread sectors was the primary contributor while the macro decisions detracted from performance. Regarding macro decisions, our curve steepening positions in the U.S. and euro area detracted, as curve flattening pressures intensified amid central banks remaining wary of easing too quickly, moderating growth, and persistent inflation concerns.

Positioning within euro area spreads was beneficial, particularly the overweight to peripheral European spreads. Security selection within government-related debt also added to performance.

Currency positioning was a marginal contributor as the short U.S. dollar position vs. a basket of developed market and emerging market (EM) currencies performed well given the dollar weakened in September.

Regarding the Fund's positioning within spread sectors, the overweight to the securitized asset class continued to support performance, primarily via non-agency residential mortgage-backed securities (RMBS).

The long exposure to high yield corporate bonds and security selection within investment grade corporate bonds contributed.

Market Review

One year after its decisive 50 basis point "first cut," the U.S. Federal Reserve (Fed) delivered a more restrained 25 basis point reduction this September, lowering its target rate to a range of 4.00%-4.25%. While speculation swirled about multiple dissenters favouring a larger cut, only one voting member broke from consensus—underscoring the Fed's cautious stance.

Market expectations ahead of the 17 September policy meeting were the most dovish since April's post-Liberation Day turmoil, yet the Fed's decision reminded investors that policymakers remain committed to maintaining positive real interest rates until inflation expectations are fully anchored. Despite progress in disinflation, with core personal consumption expenditures (PCE) at 2.9% and unemployment near 4.2%,² the Fed signalled that inflation's "last mile" remains the hardest.

Fed's Measured Cut Flattens Curve, Signals Caution

The Fed's first rate cut of 2025—of 25 bps—tempered expectations for aggressive easing. Despite early-month weak jobs data, stronger activity later in the month reduced urgency for further cuts. The U.S. yield curve flattened, with long-maturity Treasuries outperforming.

Global Divergence in G7 Central Bank Policy

While the Fed and Bank of Canada eased rates, the European Central Bank, Bank of England and Bank of Japan held steady. Canada's cut reflected domestic weakness, while Europe grappled with political gridlock and inflation persistence. Japan maintained its cautious hiking stance.

Dollar Mixed as Foreign Exchange Markets React to Policy Shifts

The Bloomberg Dollar Index was flat, but the U.S. dollar weakened against high-carry and cyclical currencies. The euro edged higher,

¹ Source: Morgan Stanley Investment Management Limited. Data as of 30 September 2025.

² Source: U.S. Bureau of Labor Statistics, 1 August 2025, and U.S. Bureau of Economic Analysis, 26 September 2025.

while New Zealand dollar and Canadian dollar lagged amid diverging central bank paths and growth outlooks.

EM Debt Strengthens on Easing and Inflows

EM debt gained as the Fed and EM central banks eased policy. Argentina and Indonesia faced political risks, but strong inflows supported hard and local currency debt. Credit spreads tightened across sovereign and corporate segments.

Investment Grade Credit Tightens Amid Strong Demand and M&A Surge

Global investment grade spreads narrowed by 5 bps, reversing August's widening. Financials and consumer non-cyclicals led gains. Merger and acquisition (M&A) activity surged, highlighted by a record \$55 billion leveraged buyout of Electronic Arts. Technicals remained strong despite elevated issuance.

High Yield and Convertibles Ride Risk-On Sentiment

High yield outperformed investment grade credit, supported by firm demand and record issuance. Convertible securities rallied with equities, with new issuance surpassing 2024's full-year total. Dispersion fell to its lowest since January, reflecting broad sector strength.

Agency MBS Outperforms as Banks Rebuild Holdings

Agency mortgage-backed securities (MBS) outperformed Treasury bonds. Spreads tightened, and bank holdings rose. Mortgage fundamentals remained solid, with low delinquency and limited refinancing activity.

Securitized Credit Resilient Despite Mixed Signals

Asset-backed securities (ABS), commercial mortgage-backed securities (CMBS) and RMBS issuance rebounded post-summer. CMBS strength came from logistics and luxury hotels; Class B office remained weak. RMBS spreads narrowed on stable home prices and strong credit fundamentals.

Portfolio Activity

The Fund initiated a marginal underweight duration, closing at 6.25 years, primarily by increasing the underweight position to Japan on valuation and reducing its overweight to New Zealand.

Within currency positioning, the Fund increased its short U.S. dollar exposure vs. a diversified basket of EM and developed market currencies.

As for positioning within spread sectors, the Fund marginally reduced its underweight to investment grade corporate debt and added to the long exposure in high yield corporates.

Strategy and Outlook

As we enter the final quarter of 2025, the outlook across fixed income sectors reflects cautious optimism amid evolving macro conditions and central bank policy shifts. In developed markets, duration positioning remains neutral outside Japan, with selective opportunities in Canadian and Australian government bonds. The U.S. yield curve steepeners are being trimmed, while Japanese exposure is shifting toward short duration and long inflation breakevens. In foreign exchange, a short U.S. dollar stance against high-beta currencies is favoured, supported by global growth differentials and monetary easing cycles outside the U.S.

Emerging markets debt continue to benefit from supportive fundamentals and attractive valuations, particularly in local currency debt. Real yield differentials and reform-oriented policy agendas are drawing sustained inflows, though country-level selectivity remains critical. We believe a softening U.S. dollar and cautious Fed stance further enhance the appeal of EM assets, but investors must navigate idiosyncratic risks and policy divergence.

Corporate credit maintains a cautiously constructive tone, with solid fundamentals and supportive technicals offsetting tight spreads and elevated issuance. Investment grade issuers are expected to weather a low-growth environment, while high yield benefits from resilient earnings and attractive yields despite lingering inflation concerns. Convertible bonds remain well positioned, offering asymmetric return profiles and equity sensitivity that likely reward selectivity and structure quality.

In securitized products, agency MBS is expected to outperform as spreads tighten and valuations remain compelling. Securitized credit spreads should stay stable, with performance driven by carry and resilient fundamentals. Residential mortgage credit securities are favoured, while consumer ABS and commercial real estate securities warrant caution due to interest rate pressures and sector-specific challenges.

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

Fund Facts

Launch date	01 November 1989
Base currency	U.S. dollars
Benchmark	Custom- Blended Benchmark

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 A Shares	8.04	-1.26	5.46	-17.05	-5.48	10.05	8.33	-2.99	9.13	1.91	-4.93
Blended Benchmark	7.91	-1.69	5.72	-16.25	-4.71	9.20	6.84	-1.20	7.39	2.09	-3.15

Investment involves risks. All performance data is calculated NAV to NAV, net of fees, and assume the reinvestment of all dividends and income. The sources for all performance and index data is Morgan Stanley Investment Management ('MSIM Ltd'). Please refer to the relevant offering documents for fund details, including risk factors.

Applications for shares in the Sub-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. Luxembourg 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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INDEX INFORMATION

The **Blended Index** performance shown is calculated using the **JPM Global Traded Unhedged Index** from inception through 31 March 2004, the **FTSE WGBI Index** to 31 January 2010 and the **Bloomberg Global Aggregate Bond Index** thereafter.

The **Bloomberg Global Aggregate Index** provides a broad-based measure of the global investment grade fixed-rate debt markets. Total Returns shown is unhedged USD.

The **JPM Global Traded Unhedged Index** provides a broad-based measure of the global investment grade fixed-rate debt markets. Total Returns shown is unhedged USD.

The **FTSE WGBI Index** measures the performance of fixed-rate, local currency, and investment grade sovereign bonds. The WGBI provides a broad benchmark for the global sovereign fixed income market.

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

The **US Dollar Index (DXY)** is an index of the value of the United States dollar relative to a basket of foreign currencies, often referred to as a basket of US trade partners' currencies.

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