

A Sub-Fund of Morgan Stanley Investment Funds

Global Convertible Bond Fund

HIGH YIELD TEAM

Important Information

- The Fund invests primarily in convertible bonds issued by companies organised or operating in either the developed or emerging markets which will be denominated in global currencies.
- Investment involves risks. Key risks for this fund include High Yield Securities Risk, Credit Risk, Interest Rate Risk, Exchange Rate Risk, Downgrading Risk, Emerging Market Currency Risk, Derivatives 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 up until 31 December 2024, the Fund's A shares returned -1.34% (net of fees)¹, while the benchmark returned -1.82%.

Industrials and communication services were the Fund's top-performing sectors relative to the benchmark in April, both due to favorable security selection. In industrials, the primary individual contributor was a lack of exposure to a U.S.-based manufacturer of commercial cooking equipment. The company stands to be heavily impacted by the proposed tariffs from the Trump administration. A lack of exposure to a U.S.-based telecommunications provider was the primary contributor in the communications services sector. The company continues to struggle and sold off with other higher-risk issuers in April.

Information technology and financials were the Fund's worst-performing sectors relative to the benchmark, both due to challenging security selection. The top individual detractors in both sectors were positioning in bitcoin-related issuers that benefited from the cryptocurrency's strong performance at the end of the month. The primary individual detractor in the information technology sector was an underweight position in a software development company that also markets itself as a bitcoin treasury company. A lack of exposure to a cryptocurrency exchange was the primary detractor in the financials sector.

Market Review

Global convertible bonds generated positive total returns during April, in a month of volatility driven by the new tariff policies announced by the U.S. In terms of performance by region, U.S. and European issuers generated positive returns, while Chinese issuers lagged due to the concerns about a brewing trade war between the U.S. and China. Ultimately, global convertible bonds underperformed global bonds and modestly underperformed global equities on a USD-hedged basis in April. The FTSE Global Focus Convertible (USD Hedged) Index returned 0.90% in March, while the MSCI All Country World Index rose 0.97% and the Bloomberg Global Aggregate Credit Index rose 2.25%. New supply was limited during the month given the volatile market environment as well as the corporate earnings blackouts. Only \$2.3 billion priced across five deals during the month, which marked the weakest month since late 2022. Year-to-date supply in the asset class ended April at \$25.6 billion, which is modestly behind the \$29 billion that was issued over the same time period in 2024.²

Strategy and Outlook

We continue to remain constructive on the global convertible bond market as we begin May. Convertible bonds held up well in April amid the market volatility, and we expect that to continue given their asymmetric return profile, particularly their bond floor feature. Additionally, we expect primary issuance to pick up despite limited issuance in April. Corporations will likely need to continue balancing their financing needs with relatively high interest rates as well as the evolving monetary policies from global central banks.

¹ Source: Morgan Stanley Investment Management Limited. Data as of 31 December 2024.

² Source: Bank of America. Data as of 30 April 2025.

Volatility picked up meaningfully in the first quarter of 2025 and continued in April, primarily driven by uncertainty surrounding U.S. tariffs and the potential knock-on impacts. The uncertainty regarding the breadth and magnitude of tariffs and the impact on economic growth has both depressed corporate investment and caused irregular activity as certain companies rush to prepare for the fallout. The February Institute for Supply Management (ISM) Report On Business released in March showed slowing business activity/production and a sharp, sequential slowdown in manufacturing new orders, which fell from 55.1% in January to 48.6% in February, marking an abrupt transition from healthy expansion to contraction.³ Additionally, geopolitical tensions and regional conflicts continue to present the potential for expansion or ultimate resolution, which could be further sources of volatility as we move through the second quarter. We will continue to monitor these developments and attempt to understand their respective impacts on convertible bond issuers.

Global central banks are navigating a precarious period where sticky inflation, uncertain trade and economic growth backdrops and shifting fiscal priorities are complicating the projected and perhaps intended path of key policy rates. In March, the European Central Bank reduced its key policy rate by 25 basis points, supported by a recent February reading on eurozone inflation of 2.3%.⁴ This decision was complicated by the pro-growth and potentially inflationary stated German intent to materially increase defense spending. The Bank of England held its key policy rate at 4.5%, a decision supported by annualized wage growth that is holding at nine-month highs at 5.9% (ex-bonus).⁵ Meanwhile, the Federal Reserve (Fed) maintained its key policy rate at its March meeting. Furthermore, Fed Chair Powell struck a patient and perhaps cautious tone in addressing future impacts from evolving trade policy and tariffs. The likely pro-inflationary effects of tariffs are complicated by a labor market that has recently showed additional signs of softening. The Fed's dot plot indicates two reductions in its key policy rate through year-end, with the skew in favor of fewer cuts. Our base case expectation is for one to two rate cuts, with a skew in favor of more cuts.

We entered 2025 with expectations that the primary market would remain strong given the relatively high interest rate environment as well as the pending maturity wall in the asset class. The pace of primary issuance in the global convertible bond market was somewhat erratic in the first four months of the year, in response to a constantly evolving macroeconomic backdrop fraught with uncertainty. Despite this erratic start, we still expect to see a pickup in primary issuance in the asset class for the same reasons that we began the year with. Company CFOs are contending with the uncertain and varying policies from global central banks previously described, which may continue to keep interest rates relatively high. Additionally, refinancings only accounted for approximately 22% of new issuance in the first quarter.⁶ This had led to the volume of bonds maturing in 2025 and 2026 to only fall by approximately \$18 billion since the end of 2024.⁶ Corporate management teams will need to address these near-term maturities soon, and the current macroeconomic environment, as well as the technicals of the asset class, may lead them to refinance them in the convertible bond market rather than in other forms of debt.

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

Fund Facts

Launch date	17 July 2002
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	5.35	5.35	11.97	-12.95	3.37	21.69	14.26	-4.14	5.54	1.26	-0.02
Blended Benchmark	8.62	8.62	9.84	-16.00	-1.11	22.84	13.10	-3.01	6.00	1.59	3.83

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](#)

³ Source: Institute for Supply Management. Data as of 5 March 2025.

⁴ Source: Bloomberg L.P., Morgan Stanley Investment Management. Data as of 31 March 2025.

⁵ Source: Office of National Statistics, United Kingdom. Data as of 20 March 2025.

⁶ Source: Bank of America. Data as of 31 March 2025.

[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.

IMPORTANT INFORMATION

This material has been prepared solely for informational purposes and does not constitute an offer or a recommendation to buy or sell any particular security or to adopt any specific investment strategy. Investors should be aware that a diversified strategy does not protect against a loss in a particular market.

All investments involve risks, including the possible loss of principal. The material contained herein has not been based on a consideration of any individual client circumstances and is not investment advice, nor should it be construed in any way as tax, accounting, legal or regulatory advice. To that end, investors should seek independent legal and financial advice, including advice as to tax consequences, before making any investment decision.

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.

Morgan Stanley Investment Management 'MSIM', the asset management division of Morgan Stanley (NYSE: MS), has not authorised financial intermediaries to use and to distribute this material, unless such use and distribution is made in accordance with applicable law and regulation. MSIM shall not be liable for, and accepts no liability for, the use or misuse of this material by any such financial intermediary.

The whole or any part of this material may not be directly or indirectly reproduced, copied, modified, used to create a derivative work, performed, displayed, published, posted, licensed, framed, distributed or transmitted or any of its contents disclosed to third parties without the Firm's express written consent. This material may not be linked to unless such hyperlink is for personal and non-commercial use. All information contained herein is proprietary and is protected under copyright and other applicable law.

This material may be translated into other languages. Where such a translation is made, this English version remains definitive; any discrepancies with another language, the English

version prevails.

This material has been prepared on the basis of publicly available information, internally developed data and other third-party sources believed to be reliable. However, no assurances are provided regarding the reliability of such information and MSIM, the Firm has not sought to independently verify information taken from public and third-party sources.

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

INDEX INFORMATION

The Blended Benchmark performance shown is calculated using the **ICE BofA G300 Global Convertible Index Local Currency** to 31 October 2005, the **ICE BofA 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 **Thomson 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 BofA 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 BofA 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 indexes are unmanaged and do not include any expenses, fees, or sales charges. It is not possible to invest directly in an index.

Any index referred to herein is the intellectual property (including registered trademarks) of the applicable licensor. Any product based on an index is in no way sponsored, endorsed, sold or promoted by the applicable licensor and it shall not have any liability with respect thereto. The Sub-Fund is actively managed, and the management of the fund is not constrained by the composition of the Benchmark.

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

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

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

"Bloomberg®" and the Bloomberg Index/Indices used are service marks of Bloomberg Finance L.P. and its affiliates and have been licensed for use for certain purposes by Morgan Stanley Investment Management (MSIM). Bloomberg is not affiliated with MSIM, does not approve, endorse, review, or recommend any product, and does not guarantee the timeliness, accuracy, or completeness of any data or information relating to any product.

DISTRIBUTION

This material is only intended for and will be only distributed to persons resident in jurisdictions where such distribution or availability would not be contrary to local laws or regulations. It is the responsibility of any person in possession of this material and any persons wishing to make an application for Shares in pursuant to the Prospectus to inform themselves and observe all applicable laws and regulations of any relevant jurisdictions.

MSIM and its affiliates have arrangements in place to market each other's products and services. Each MSIM affiliate is regulated as appropriate in the jurisdiction it operates. MSIM's affiliates are: Eaton Vance Advisers International Ltd, Calvert Research and Management, Eaton Vance Management, Parametric Portfolio Associates LLC, Atlanta Capital Management LLC and FundLogic Alternatives plc.

Hong Kong: This material has been issued by Morgan Stanley Asia Limited for use in Hong Kong. The contents of this document have not been reviewed by the Securities & Futures Commission of Hong Kong. For investment returns denominated in foreign currency: "The investment returns are denominated in foreign currency. US/HK dollar-based investors are therefore exposed to fluctuations in the US/HK dollar vs foreign currency exchange rate."