

A Sub-Fund of Morgan Stanley Investment Funds

US Dollar Short Duration Bond Fund

BROAD MARKETS FIXED INCOME TEAM

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.

Performance Review

In the one month period ending 30 September 2025, the Fund's Z shares returned 0.44% (net of fees)¹, while the benchmark returned 0.45%.

In September, the portfolio performed in line with its benchmark. Similar to last month, the portfolio's overweight positionings to spread sectors, particularly investment grade financials and industrials were the primary contributors to excess performance. Additionally, the portfolio's exposure to securitized products, such as non-agency commercial mortgage-backed securities (CMBS) continued to contribute to excess performance. The portfolio's exposures to non-agency residential mortgage-backed securities (RMBS) detracted from excess performance.

Market Review

One year after its decisive 50 basis point (bps) "first cut," the U.S. Federal Reserve (Fed) delivered a more restrained 25 bps 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%, 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 (ECB), Bank of England (BoE) and Bank of Japan (BoJ) 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, while New Zealand dollar and Canadian dollar lagged amid diverging central bank paths and growth outlooks.

EM Debt Strengthens on Easing and Inflows

Emerging markets (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, 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

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

Asset backed securities (ABS), 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

Over the month, the portfolio decreased exposures to investment grade corporates as we believe their yield and spread levels are less attractive. Duration decreased over the month and was kept close to the benchmark duration.

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 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. Taxable municipal bonds offer attractive yields and income cushions, with strong technicals and stable credit fundamentals likely supporting performance through year-end.

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

Fund Facts

Launch date	22 April 2016
Base currency	U.S. dollars
Benchmark	Bloomberg US Treasury 1-3 Year Index

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 Z Shares	3.82	5.57	5.90	-0.50	0.04	2.55	3.92	1.92	1.75	--	--
Blended Index	3.16	4.75	4.74	-1.02	-0.07	1.82	2.93	1.86	0.57	--	--

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 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 fund's ability to buy or sell securities.

- 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 30.09.2025 and subject to change daily.

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..

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. If you are a distributor of the Morgan Stanley Investment Funds, some or all of the funds or shares in individual funds may be available for distribution. Please refer to your sub-distribution agreement for these details before forwarding fund information to your clients.

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.

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 **ICE BofA 1-Year U.S. Treasury Note Index** is an unmanaged index tracking U.S. government securities with a maturity of at least one year and less than three years.

The index is unmanaged and does 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.

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 Parametric SAS.

In the EU, this material is issued by MSIM Fund Management (Ireland) Limited ('FMIL'). FMIL is regulated by the Central Bank of Ireland and is incorporated in Ireland as a private company limited by shares with company registration number 616661 and has its registered address at 24-26 City Quay, Dublin 2, D02 NY19, Ireland.

Outside the EU, this material is issued by MSIM Ltd is authorized and regulated by the Financial Conduct Authority. Registered in England. Registered No. 1981121. Registered Office: 25 Cabot Square, Canary Wharf, London E14 4QA.

Switzerland: MSIM materials are available in German and are issued by Morgan Stanley & Co. International plc, London (Zurich Branch) Authorised and regulated by the Eidgenössische Finanzmarktaufsicht ("FINMA"). Registered Office: Beethovenstrasse 33, 8002 Zurich, Switzerland.

Saudi Arabia: This document may not be distributed in the Kingdom except to such persons as are permitted under the Investment Funds Regulations issued by the Capital Market Authority. The Capital Market Authority does not make any representation as to the accuracy or completeness of this document, and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this document. Prospective subscribers of the securities offered hereby should conduct their own due diligence on the accuracy of the information relating to the securities to be offered. If you do not understand the contents of this document, you should consult an authorised financial adviser.

This financial promotion was issued and approved for use in Saudi Arabia by Morgan Stanley Saudi Arabia, Al Rashid Tower, Kings Sand Street, Riyadh, Saudi Arabia, authorized and regulated by the Capital Market Authority license number 06044-37.

Hong Kong: This material is disseminated by Morgan Stanley Asia Limited for use in Hong Kong and shall only be made available to "professional investors" as defined under the Securities and Futures Ordinance of Hong Kong (Cap 571). The contents of this material have not been reviewed nor approved by any regulatory authority including the Securities and Futures Commission in Hong Kong. Accordingly, save where an exemption is available under the relevant law, this material shall not be issued, circulated, distributed, directed at, or made available to, the public in Hong Kong.

Singapore: This material should not be considered to be the subject of an invitation for subscription or purchase, whether

directly or indirectly, to the public or any member of the public in Singapore other than (i) to an institutional investor under section 304 of the Securities and Futures Act, Chapter 289 of Singapore ("SFA"); or (ii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA. In particular, for investment funds that are not authorized or recognized by the MAS, units in such funds are not allowed to be offered to the retail public; any written material issued to persons as aforementioned in connection with an offer is not a prospectus as defined in the SFA and, accordingly, statutory liability under the SFA in relation to the content of prospectuses does not apply, and investors should consider carefully whether the investment is suitable for them. In cases where you are dealing with a representative of Morgan Stanley Asia Limited, and where such representative is acting on behalf of Morgan Stanley Asia Limited, please note that such representative is not subject to regulatory requirements issued by the Monetary Authority of Singapore nor is under the supervision of the Monetary Authority of Singapore. For any issues which may arise in your dealing with such representative, please approach the Singapore-based contact person who has been established as your local contact person.

Australia: This material is provided by Morgan Stanley Investment Management (Australia) Pty Ltd ABN 22122040037, AFSL No. 314182 and its affiliates and does not constitute an offer of interests. Morgan Stanley Investment Management (Australia) Pty Limited arranges for MSIM affiliates to provide financial services to Australian wholesale clients. Interests will only be offered in circumstances under which no disclosure is required under the Corporations Act 2001 (Cth) (the "Corporations Act"). Any offer of interests will not purport to be an offer of interests in circumstances under which disclosure is required under the Corporations Act and will only be made to persons who qualify as a "wholesale client" (as defined in the Corporations Act). This material will not be lodged with the Australian Securities and Investments Commission.

Chile: Potential investors are advised that this document refers to foreign securities that may be registered in the Foreign Securities Register ("FSR") from the Commission for Financial Markets (Comisión para el Mercado Financiero or "CMF") (the "Registered Securities") or that may not be registered in the FSR (the "Non-Registered Securities").

For Registered Securities, please be advised: The securities being offered are foreign. Shareholder rights and obligations are those of the issuer's home jurisdiction. Shareholders and potential investors should inform themselves on what those rights and obligations are and how to exercise them. CMF supervision of the securities is limited to information requirements in Rule 352, overall supervision is conducted by the foreign regulator in the issuer's home jurisdiction. Public information available for the securities is exclusively that required by the foreign regulator and accounting principles and auditing rules might differ to those applicable to Chilean issuers. The provisions on Article 196 of Law 18.045 are applicable to all parties involved in the registration, deposit, transaction and other acts associated with the foreign securities ruled by Title XXIV of Law 18.045.

For Non-Registered Securities, please be advised: THE SECURITIES INCLUDED IN THIS DOCUMENT ARE NOT REGISTERED IN THE FSR AND OFFERS REGARDING SUCH SECURITIES WILL BE CONDUCTED SUBJECT TO GENERAL RULE N°336 OF THE CMF, BEGINNING AT THE DATE OF THIS DOCUMENT. THESE ARE FOREIGN SECURITIES AND THEIR ISSUER IS UNDER NO OBLIGATION TO PROVIDE PUBLIC DOCUMENTS IN CHILE. THE SECURITIES ARE NOT SUBJECT TO THE SUPERVISION OF THE CMF AND CANNOT BE PUBLICLY OFFERED. THEREFORE, THIS DOCUMENT AND

OTHER OFFERING MATERIALS RELATING TO THE OFFER OF THE INTERESTS IN THE FUND DO NOT CONSTITUTE A PUBLIC OFFER OF, OR AN INVITATION TO SUBSCRIBE FOR OR PURCHASE, THE FUND INTERESTS IN THE REPUBLIC OF CHILE.

Please contact your local Distributor or the person who provided this document for information on the registration status of specific securities.

Peru: The Fund is a sub Fund of the Morgan Stanley Investment Funds, a Luxembourg domiciled Société d'Investissement à Capital Variable (the "Company") is registered in the Grand Duchy of Luxembourg as an undertaking for collective investment pursuant to Part 1 of the Law of 17th December 2010, as amended. The Company is an Undertaking for Collective Investment in Transferable Securities ("UCITS"). If the Fund and the interests in the Fund have been registered in Peru under **Decreto Legislativo 862: Ley de Fondos de Inversión y sus Sociedades Administradoras** as amended; under **Decreto Legislativo 861: Ley del Mercado de Valores** (the "Securities Market Law") as amended, and under the **Reglamento del Mercado de Inversionistas Institucionales** approved by **Resolución SMV N°021-2013-SMV/01** as amended by the **Resolución de Superintendente N°126-2020-SMV/02** (the "**Reglamento 1**") and **Resolución de Superintendente N°035-2021-SMV/02** (the "**Reglamento 2**"), and are being offered to institutional investors only (as defined in article 8 of the Securities Market Law) under the special public offering directed exclusively to the institutional investors under the **Reglamento 1 and Reglamento 2**, then the interests in the Fund

will be registered in the Section "**Del Mercado de Inversionistas Institucionales**" of the Securities Market Public Registry (**Registro Público del Mercado de Valores**) maintained by the **Superintendencia del Mercado de Valores (SMV)**, and the offering of the Fund interests in Peru only to institutional investors will be subject to the supervision of the SMV, as well as any transfers of the Fund interests shall be subject to the limitations contained in the Securities Market Law and the regulations issued thereunder mentioned before, under which the Fund interests may only be transferred between institutional investors under Article 27 of the **Reglamento 1 and Reglamento 2**. If neither the Fund nor the interests in the Fund have been and will not be registered in Peru under **Decreto Legislativo 862** and under **Decreto Legislativo 861 referenced above**, nor they will be subject to a public offering directed to institutional investors under the **Reglamento 1**, and will be offered to institutional investors only (as defined in article 8 of the Securities Market Law) pursuant to a private placement, according to article 5 of the Securities Market Law, the interests in the Fund will not be registered in the Securities Market Public Registry maintained by the **SMV**, and the offering of the Fund interests in Peru to institutional investors nor the Fund will be subject to the supervision of the SMV, and any transfers of the Fund interests shall be subject to the limitations contained in the Securities Market Law and the regulations issued thereunder mentioned before, under which the Fund interests may only be transferred between institutional investors.