

# Morgan Stanley Investment Funds

## Japanese Value Equity Fund

30 April 2010

### RETURNS IN JAPANESE YEN VS. TOPIX INDEX<sup>1</sup>

| Period                       | Fund (net of fees) % |         |         | Index   |
|------------------------------|----------------------|---------|---------|---------|
|                              | Class I              | Class A | Class B |         |
| One month                    | 0.04                 | (0.03)  | (0.11)  | 0.84    |
| Last three months            | 10.81                | 10.61   | 10.31   | 10.51   |
| YTD 2010                     | 10.23                | 9.97    | 9.58    | 9.72    |
| One year                     | 23.84                | 22.95   | 21.69   | 19.63   |
| Three years (annualised)     | (13.22)              | (13.85) | (14.71) | (15.08) |
| Five years (annualised)      | 0.88                 | 0.15    | (0.86)  | (1.17)  |
| Ten years (annualised)       | (2.94)               | (3.59)  | (4.56)  | (3.79)  |
| Since inception (annualised) | (0.24)               | n/a     | n/a     | (1.78)  |

### 12 months to:

| Period     | Class I | Class A | Class B | Index   |
|------------|---------|---------|---------|---------|
| April 2010 | 23.84   | 22.95   | 21.69   | 19.63   |
| April 2009 | (36.96) | (37.41) | (38.03) | (36.94) |
| April 2008 | (16.30) | (16.90) | (17.73) | (18.81) |
| April 2007 | 6.81    | 6.00    | 4.94    | 0.23    |
| April 2006 | 49.71   | 48.64   | 47.14   | 53.64   |

Past performance is no indication of current or future performance. These performance data do not take account of commissions and costs incurred on the issue and redemption of units.

### CLASS I SHARES VS. TOPIX INDEX<sup>2</sup>

#### Performance of 100 Japanese yen invested since inception



### Facts and figures

| Facts and figures        |                 | Statistics <sup>4</sup> | Fund         | Index |
|--------------------------|-----------------|-------------------------|--------------|-------|
| Launch date              | May 1993        | Alpha                   | 1.86         | -     |
| Fund manager             | Kunihiko Sugio  | Beta                    | 1.15         | -     |
|                          | Daiji Ozawa     | R squared               | 0.94         | -     |
| Location                 | Tokyo           | Information ratio       | 0.25         | -     |
| Base currency            | Japanese yen    | Tracking error          | 7.49         | -     |
| TER Class I <sup>3</sup> | 0.99%           | Standard deviation      | 26.67        | 22.44 |
| TER Class A <sup>3</sup> | 1.71%           | ISIN Class I            | LU0034265487 |       |
| Total assets             | ¥ 111.8 billion | ISIN Class A            | LU0073251851 |       |
| NAV Class I ¥            | 959.64          | ISIN Class B            | LU0073253980 |       |
|                          |                 | ISIN Class C            | LU0176166410 |       |
|                          |                 | ISIN Class Z            | LU0360478282 |       |
|                          |                 | ISIN Class IH           | LU0348447128 |       |
|                          |                 | ISIN Class AH           | LU0498757979 |       |

### Portfolio valuations

|                    | Fund  | Index |
|--------------------|-------|-------|
| P/CF               | 13.26 | 10.07 |
| P/BV               | 1.22  | 1.30  |
| P/E Forward        | 54.87 | 30.33 |
| Yield              | 1.43  | 1.92  |
| Number of holdings | 68    | 1673  |

### Top 10 holdings

|                       | %            |
|-----------------------|--------------|
| CANON INC             | 3.62         |
| MITSUBISHI CORP       | 3.41         |
| TOSHIBA CORP          | 3.12         |
| NINTENDO CO. LTD      | 2.89         |
| TOYOTA MOTOR CORP     | 2.67         |
| FUJITSU LTD           | 2.61         |
| RICOH CO. LTD         | 2.58         |
| KYOCERA CORP          | 2.55         |
| NISSAN MOTORS CO. LTD | 2.47         |
| DAIKIN INDUSTRIES LTD | 2.40         |
| <b>Total</b>          | <b>28.32</b> |

### Industry distribution

|                          | %             |
|--------------------------|---------------|
| Electric Appliances      | 29.65         |
| Chemicals                | 11.90         |
| Machinery                | 9.83          |
| Transportation Equipment | 8.88          |
| Wholesale Trade          | 7.31          |
| Other Products           | 6.86          |
| Pharmaceutical           | 4.84          |
| Construction             | 3.63          |
| Nonferrous Metals        | 2.92          |
| Other                    | 12.52         |
| Cash & equivalents       | 1.64          |
| <b>Total</b>             | <b>100.00</b> |

### INVESTMENT OBJECTIVE

Seeks long-term capital appreciation, measured in Japanese yen, through investment in the securities of companies listed on the exchanges and over-the-counter markets in Japan.

### INVESTMENT PROCESS

- Value-orientated, bottom-up approach to stock selection focuses on businesses with excellent franchises trading at a substantial discount to their long-term 'fair' value.
- Preliminary valuation screens are primarily based on price to cash flow, price to book value and price to earnings.
- In-depth fundamental research and company visits analyse financial structure, management, business franchise, products and strategic value of assets.

Publication date: 17 May 2010.

<sup>1</sup> Launch date of Class I shares was May 1993, Class A shares was February 1997 and Class B shares was July 1997.

<sup>2</sup> Calculations are NAV to NAV. Performance of the Morgan Stanley Investment Funds is calculated net of fees.

<sup>3</sup> Total expenses charged to share class open as at 31 December 2009, calculated net of any fee waivers and expressed as a percentage of average net assets for the twelve month period (or since inception if fund launched within this period).

<sup>4</sup> Based on monthly observations over last 3 years.

Please refer to back cover for important information and risk warnings.

[www.morganstanleyinvestmentfunds.com](http://www.morganstanleyinvestmentfunds.com)

## Important information

**For Exclusive Use of Professional Investors and Eligible Counterparties Only.**

**This document contains information relating to the sub-funds ('Funds') of Morgan Stanley Investment Funds, a Luxembourg Société d'Investissement à Capital Variable.**

**Applications for shares in Morgan Stanley Investment Funds should not be made without first consulting the current Prospectus, Annual Report and Semi-Annual Report ('Offering Documents'), which are available free of charge at the address below.**

**Registered Office: European Bank and Business Centre, 6B route de Trèves, L-2633 Senningerberg, R.C.S. Luxembourg B 29 192.**

**Swiss investors are advised that the Simplified Prospectus, the Prospectus, the Articles of Incorporation of the Company, the audited Annual Reports and the unaudited Semi-Annual Reports may be obtained free of charge from the Representative Agent in normal business hours. Bank Morgan Stanley AG, Bahnhofstrasse 92, 8021 Zurich, is the representative and paying agent (the "Representative Agent") of the Company in Switzerland. The Morgan Stanley Investment Funds Fund is domiciled in Luxembourg.**

Morgan Stanley Investment Funds is an Undertaking for Collective Investment in Transferable Securities ('UCITS') for the purpose of the Council Directive EEC/85/611, as amended by Directive 2001/107/EC and by Directive 2001/108/EC of the European Parliament and of the Council of 21 January 2002 ('UCITS Directive'). Morgan Stanley Investment Funds is an umbrella Société d'Investissement à Capital Variable authorised under Part 1 of the Law of 20 December 2002. The company is a self managed SICAV in accordance with article 27 of the law of 20 December 2002. Morgan Stanley Investment Management Limited will act as Distributor of the shares of each fund. Morgan Stanley Investment Management Limited is a Sub-Adviser to advise on such of the Funds as are agreed from time to time. Morgan Stanley Investment Management does not provide investment advice.

The Funds have been authorised for sale pursuant to the aforementioned Directive in Austria, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Sweden, Spain (CNMV No 149) and the UK. In addition, the Funds have been authorised for sale in Chile, Hong Kong, Norway, Peru, Singapore, Switzerland and Taiwan. In France, Morgan Stanley Investment Funds was granted 'recognised' status by the Autorité des marchés financiers (formerly the Commission des Opérations de Bourse) 29 December 1995. In Sweden, Morgan Stanley Investment Funds is registered with the Swedish Financial Supervisory Authority. In giving such authorisation, no regulatory authority in any of the above jurisdictions takes responsibility for the financial soundness of the Funds or for the correctness of any statements made or opinions expressed in this regard.

It is the responsibility of any persons in possession of this document and any persons wishing to make application for Shares pursuant to the Prospectus to inform themselves of and to observe all applicable laws and

regulations of any relevant jurisdictions. In certain jurisdictions, Shares may not be available for purchase and the distribution of this brochure may be restricted.

In particular, the Shares are not for distribution in the United States or to US persons.

This document neither constitutes an offer by Morgan Stanley Investment Management Limited of Shares or of any other investment products or investment service, nor an invitation to the recipient to respond to the document by making an offer to purchase Shares or to purchase any other investment product or investment service. In addition, all Italian investors should refer to the 'Extended Application Form', and all Hong Kong investors should refer to the 'Additional Information for Hong Kong Investors' section, outlined within the Prospectus.

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

Purchase of Shares in the UK may, depending on the circumstances, carry a right of cancellation in favour of the investor. Similar rights may apply in other jurisdictions. If you are in any doubt about this investment, you should consult your independent financial adviser. The investments described in this document will not be suitable for all investors. Recipients of this document should not treat the contents as advice relating to legal, taxation or investment matters.

The sources for all performance and index data are Morningstar and Morgan Stanley Investment Management Limited. Calculations are NAV to NAV. Performance is quoted net of investment management fees and with income reinvested. All Fund performance is shown since first full month after inception of Fund.

## Risk warnings

Past performance is not necessarily a guide to future performance and the value of the Shares and income from them may fall as well as rise. On redemption of Shares, an investor may receive back an amount less than the original amount of his investment. The assets of the funds will be in a variety of currencies and therefore movements in the value of currencies may also affect the value of an investor's holdings. Furthermore, the value of Shares may be adversely affected by fluctuations in exchange rates between the investor's reference currencies and the base currencies of the Funds.

There are special risk considerations associated with investing in:

- 1) Emerging country securities; including (1) restrictions on foreign investment and on repatriation of capital (2) currency fluctuations, (3) potential price volatility and lesser liquidity of shares, (4) political and economic risks, including the risk of nationalisation or expropriation of assets and the risk of war (5) settlement systems may be less well organised and less developed and (6) debt may not be rated by any internationally recognised credit rating organisation.

There are also varying levels of government supervision and regulation of exchanges, financial institutions and issuers in various countries. In

addition, accounting, auditing, financial and other reporting standards are not equivalent to those of more developed countries, and therefore less information may be available than in more developed countries.

- 2) High yield securities; investment in higher yielding securities is speculative as it generally entails increased credit and market risks. Such securities are subject to the risk of an issuer's inability to meet principal and interest payments on the obligations (credit risk) and may be subject to price volatility due to such factors as interest rate sensitivity, market perception of the credit worthiness of the issuer and general market liquidity.
- 3) Securities of small capitalisation companies; these securities involve greater risk than large capitalisation companies and the markets for such securities may be more volatile and less liquid.
- 4) Securities of companies engaged in the real estate industry; including the cyclical nature of real estate values, risks related to general and local economic conditions, overbuilding and increased competition, increases in property taxes and operating expenses, demographic trends and variations in rental income, changes in zonal laws, casualty or condemnation losses, environmental risks, regulatory limitations on rents, changes in neighbourhood values, related party risks, changes in the appeal of properties to tenants, increases in interest rates and other real estate capital market influences. Generally, increases in interest rates will increase the costs of obtaining financing, which could directly and indirectly decrease the value of the relevant Fund.
- 5) Investments in derivative instruments carries certain inherent risks such as the risk of counterparty default. Before investing you should ensure you fully understand these risks. Use of leverage may also magnify losses as well as gains to the extent that leverage is employed.

Please refer to the Prospectus for full disclosure of the individual Fund Investment Objectives.

This Financial Promotion has been issued and approved for use in the UK to those persons who are Professional Clients or Eligible Counterparties (as defined in the UK Financial Services Authority's rules) by Morgan Stanley Investment Management Limited, 25 Cabot Square, Canary Wharf, London E14 4QA, authorized and regulated by the Financial Services Authority.

This communication 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.