

## Morgan Stanley Investment Funds

## Emerging Europe, Middle East and Africa Equity Fund 30 September 2010

RETURNS IN EURO VS. MSCI EMERGING EUROPE, MIDDLE EAST AND AFRICA INDEX<sup>1</sup>

Period	Fund (net of fees) %			
	Class I	Class A	Class B	Index
One month	4.20	4.15	4.05	3.75
Last three months	10.04	9.88	9.60	9.27
YTD	20.17	19.63	18.76	17.76
One year	35.10	34.33	32.99	31.10
Three years (annualised)	(5.53)	(6.09)	(6.93)	(1.62)
Five years (annualised)	7.11	6.50	5.58	4.75
Since inception (annualised)	9.87	n/a	n/a	6.35

## 12 months to:

September 2010	35.10	34.33	32.99	31.10
September 2009	(16.08)	(16.59)	(17.28)	(2.34)
September 2008	(25.64)	(26.08)	(26.70)	(25.62)
September 2007	39.19	38.41	37.16	21.41
September 2006	20.15	19.48	18.61	9.07

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. MSCI EMERGING EUROPE, MIDDLE EAST AND AFRICA INDEX<sup>2</sup>  
Performance of 100 euro invested since inception

## Facts and figures

Launch date	October 2000
Fund manager	Paul Psaila Eric Carlson
Location	New York
Base currency	euro
TER Class I <sup>3</sup>	1.44%
TER Class A <sup>3</sup>	2.04%
Total assets	€ 328.7 million
NAV Class I €	63.81

Statistics<sup>4</sup>

	Fund	Index
Alpha	(3.92)	-
Beta	1.06	-
R squared	0.96	-
Information ratio	(0.63)	-
Tracking error	6.20	-
Standard deviation	30.29	27.93
ISIN Class I	LU0118140184	
ISIN Class A	LU0118140002	
ISIN Class B	LU0118140697	
ISIN Class C	LU0176164126	
ISIN Class Z	LU0360482631	

## Portfolio valuations

	Fund	Index
P/CF	10.73	7.20
P/BV	2.68	1.66
P/E	15.59	12.02
Yield	2.26	2.27
Number of holdings	53	136

## Top 10 holdings

	%
MTN GROUP LTD	6.52
NASPERS LTD	5.32
LUKOIL HOLDING	3.80
IMPALA PLATINUM HOLDINGS LTD	3.62
PKO BANK POLSKI	3.39
CLICKS GROUP LTD	2.81
TELEKOMUNIKACJA POLSKA	2.53
IMPERIAL HOLDINGS LTD	2.38
COMMERCIAL INTL BANK EGYPT LTD	2.33
ANADOLU EFES BIRACILIK VE MALT	2.27
<b>Total</b>	<b>34.97</b>

## Geographic distribution

	%
South Africa	29.36
Russia	19.14
Poland	15.87
Turkey	14.73
Egypt	6.95
Lebanon	3.75
Hungary	3.31
Czech Republic	1.74
Cash & equivalents	5.15
<b>Total</b>	<b>100.00</b>

## INVESTMENT OBJECTIVE

Seeks long-term capital appreciation, measured in euro, by investing primarily in equity securities of issuers in Central, Eastern and Southern Europe (including the Russian Federation), the Middle East and Africa.

## INVESTMENT PROCESS

- Bottom-up stock picking focusing on fundamental research is combined with macroeconomic analysis which drives a top-down sector and country overlay.
- Stock picking process is based on three building blocks: equity research, quantitative analysis and risk management.
- Companies with the ability to generate strong earnings and high and/or growing free cash flow are sought.

Publication date: 21 October 2010.

<sup>1</sup> Launch date of Class I, Class A & Class B shares was October 2000.

<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 30 June 2010, calculated net of any fee waivers and expressed as a percentage of average net assets for the six month period (or since inception if fund launched within this period).

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

Please note variances between fund and index performance figures may occur due to the price differences between the time the NAV is calculated and the time of the index close.

Please refer to back cover for important information and risk warnings paragraphs (1) relating to emerging country securities.

[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.**

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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.
- 6) Securities of companies engaged in the infrastructure industry are subject to a variety of factors that may adversely affect their business or operations; including high interest costs in connection with capital construction programs, costs associated with compliance and with changes in environmental and other regulations, difficulty in raising capital in adequate amounts on reasonable terms in periods of high inflation and unsettled capital markets, the effects of surplus capacity, increased competition from other providers of services in a developing deregulatory environment, uncertainties concerning the availability of fuel at reasonable prices, the effects of energy conservation policies and other factors.

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

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