

Morgan Stanley Investment Funds

Eurozone Equity Alpha Fund

31 January 2012

RETURNS IN EURO VS. MSCI EMU (NET) INDEX^{1,2}

Period	Fund (net of fees) %			Index
	Class I	Class A	Class B	
One month	6.01	6.02	5.92	5.37
Last three months	3.13	3.07	2.62	2.56
YTD	6.01	6.02	5.92	5.37
One year	(12.56)	(13.09)	(14.13)	(14.22)
Three years (annualised)	10.14	9.31	8.21	7.85
Five years (annualised)	(5.18)	(5.86)	(6.82)	(7.63)
Ten years (annualised)	(0.69)	(1.32)	(2.32)	(0.58)
Since inception (annualised)	(2.30)	n/a	n/a	(2.64)

12 months to:

Period	Class I	Class A	Class B	Index
January 2012	(12.56)	(13.09)	(14.13)	(14.22)
January 2011	21.57	20.54	19.31	12.32
January 2010	25.70	24.68	23.68	30.19
January 2009	(33.72)	(34.19)	(34.91)	(40.98)
January 2008	(13.43)	(13.97)	(14.81)	(9.20)

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 EMU (NET) INDEX³

Performance of 100 euro invested since inception



Facts and figures		Statistics ⁵	Fund	Index
Launch date	March 2000	Alpha	2.30	-
Fund manager	Matthew Leeman	Beta	0.94	-
	Riccardo Bindi	R squared	0.92	-
	Jonathan Day	Information ratio	0.40	-
	Jaymeen Patel	Tracking error	5.70	-
Location	London	Standard deviation	20.17	20.72
Base currency	euro			
TER Class I ⁴	1.03%	ISIN Class I EUR	LU0109967595	
TER Class A ⁴	1.85%	ISIN Class A EUR	LU0109967165	
Total assets	€ 103.3 million	ISIN Class B EUR	LU0109967249	
NAV Class I €	7.59	ISIN Class Z EUR	LU0360482128	

Publication date: 14 February 2012.

¹ Launch date of Class I, Class A & Class B shares was April 2000.

² The benchmark for the Fund is a blend of the MSCI Europe (Net) Index to 31 October 2006, the MSCI Europe (Net) Hedged Index to 31 May 2007 and the MSCI EMU (Net) Index thereafter. The benchmark is calculated by geometrically chain-linking the monthly returns.

³ Calculations are NAV to NAV. Performance of the Morgan Stanley Investment Funds is calculated net of fees.

⁴ Total expenses charged to share class open as at 30 June 2011, 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).

⁵ 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.

This fund received a windfall compensation payment in connection with Prudential Equity Group's settlement with the US SEC relating to market timing charges. Consequently, the net cash injection received in March 2010 and the related withholding tax, accrued in September 2010 and received in August 2011, have increased the fund's AUM by EUR 2,106,232 and EUR 947,197, respectively, enhancing the overall 2010 fund's performance by 458bps.

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

Portfolio valuations	Fund	Index
P/CF	7.68	5.87
P/BV	1.37	1.16
P/E	11.97	10.92
Yield	4.12	4.73
Number of holdings	33	250

Top 10 holdings

Top 10 holdings	%
SIEMENS AG	5.16
UNILEVER NV	4.70
ENI S.P.A.	4.57
DIAMLER AG	4.34
TELEFONICA S.A.	4.15
BAYER AG	3.87
BANCO BILBAO VIZCAYA ARGENTARIA	3.74
ALLIANZ SE	3.67
BNP PARIBAS	3.38
KONINKLIJKE AHOLD NV	3.31
Total	40.89

Geographic distribution

Geographic distribution	%
Germany	28.23
France	26.54
Spain	10.32
Netherlands	10.11
Italy	8.76
United Kingdom	4.71
Belgium	2.61
Ireland	2.54
Finland	2.34
Portugal	2.25
Cash & equivalents	1.60
Total	100.00

INVESTMENT OBJECTIVE

Seeks long-term capital growth, measured in euro, through investment primarily in a concentrated portfolio of equity securities of companies domiciled or exercising the predominant part of their economic activity in the Eurozone. Investments will be sought in equity securities that the Company believes to have the highest potential for long term capital appreciation based primarily on fundamental market factors and stock specific research.

INVESTMENT PROCESS

- We are active, fundamental, bottom up stock pickers. The strategy seeks to generate long-term capital appreciation by investing in high quality companies with sustainable competitive advantages, strong cash-flow generation, and high returns on investment.
- To help to achieve this objective, the strategy employs disciplined, fundamental analysis to identify those quality companies that trade at a discount to their long-term intrinsic value.
- The result of our bottom up fundamental analysis is an unconstrained concentrated portfolio with an attractive risk/return profile, different from the benchmark and that targets outperformance throughout the market cycle.

www.morganstanleyinvestmentfunds.com

Important information

This document has been prepared by Morgan Stanley Investment Management Limited as a marketing document to inform Professional Investors and Eligible Counterparts about certain matters concerning the Fund. It has been prepared solely for informational purposes and does not seek to make any recommendation to buy or sell any particular security (including Shares in the Fund) or to adopt any specific investment strategy. Any use of this document by a financial intermediary is restricted to clients for whom the information in this document and an investment in Shares of the Fund has been considered to be suitable by that financial intermediary in view of that client's situation and purpose, subject always to the applicable regulatory standard. If such a client considers an investment in Shares of the Fund, she/he should always ensure that she/he has satisfied herself/himself that she/he has been properly advised by that financial intermediary about the suitability of an investment.

This Financial Promotion has been issued and approved in the UK by Morgan Stanley Investment Management Limited, 25 Cabor Square, Canary Wharf, London E14 4QA, authorized and regulated by the Financial Services Authority.

This communication is only intended for and will only be distributed to persons resident in jurisdictions where such distribution or availability would not be contrary to local laws or regulations.

This document contains information relating to the sub-funds ('Funds') of Morgan Stanley Investment Funds, a Luxembourg domiciled 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 from the Registered Office at the address below:

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

Swiss investors are advised that the Prospectus, the Simplified 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 Swiss representative, Morgan Stanley & Co. International plc, London, Zurich Branch, Bahnhofstrasse 92, 8001 Zurich, is the Swiss representative of the Company and RBC Dexia Investor Services Bank S.A., Esch-sur-Alzette, Zurich Branch, Badenerstrasse 567, 8048 Zurich, is the Swiss paying agent.

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 Limited 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 No149) 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.

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, risk factors and other details.