

Morgan Stanley Investment Funds

US Small Cap Growth Fund

31 July 2010

RETURNS IN US DOLLARS VS. RUSSELL 2000 GROWTH NET 30% WITHHOLDING TAX TR INDEX¹

Period	Fund (net of fees) %			
	Class I	Class A	Class B	Index
One month	2.31	2.26	2.17	6.60
Last three months	(10.42)	(10.66)	(10.88)	(7.16)
YTD	1.06	0.55	(0.03)	4.04
One year	13.84	12.96	11.82	16.49
Three years (annualised)	(9.63)	(10.28)	(11.10)	(4.04)
Five years (annualised)	(2.69)	(3.39)	(4.31)	0.88
Ten years (annualised)	(0.90)	(1.56)	(2.53)	(0.37)
Since inception (annualised)	7.28	n/a	n/a	5.55

12 months to:

July 2010	13.84	12.96	11.82	16.49
July 2009	(27.22)	(27.70)	(28.25)	(21.04)
July 2008	(10.91)	(11.56)	(12.43)	(3.94)
July 2007	20.86	20.01	18.80	16.66
July 2006	(2.20)	(2.90)	(3.88)	1.38

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. RUSSELL 2000 GROWTH NET 30% WITHHOLDING TAX TR INDEX²

Performance of 100 US dollars invested since inception



Facts and figures		Statistics ⁴	Fund	Index
Launch date	August 1991	Alpha	(5.59)	-
Fund manager	Matthew Hart Justin Speer	Beta	0.79	-
Location	Houston	R squared	0.87	-
Base currency	US dollars	Information ratio	(0.56)	-
TER Class I ³	1.55%	Tracking error	9.94	-
TER Class A ³	2.18%	Standard deviation	22.49	26.47
Total assets	\$ 27.1 million	ISIN Class I	LU0011983607	
NAV Class I \$	38.01	ISIN Class A	LU0073229501	
		ISIN Class B	LU0073229683	

INVESTMENT OBJECTIVE

Seeks long-term capital appreciation, measured in US dollars, by investing primarily in the common shares of small sized (with a market capitalization of up to US \$5 billion) US companies and, on an ancillary basis, non-US corporations that are early in their life cycle, but which have the potential to become major enterprises (emerging growth companies).

Publication date: 13 August 2010.

On 1 June 2010, Morgan Stanley Investment Inc. appointed Invesco Advisers, Inc. as Sub-Adviser to the US Small Cap Growth Fund.

¹ Launch date of Class I shares was August 1991, Class A shares was February 1997 and Class B shares was June 1997.

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

³ 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).

⁴ 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 paragraph (3) relating to securities of small capitalisation companies.

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 Societe 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 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

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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.

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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.

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