Morgan Stanley

This Prospectus dated February 2011 is only valid
if duly accompanied by its Addendum dated May 2011.

Morgan Stanley Investment Funds

Société d'Investissement à Capital Variable Luxembourg ("SICAV")

Prospectus

February 2011

Addendum dated May 2011 to the prospectus of Morgan Stanley Investment Funds (the "Company") dated February 2011 (the "Prospectus")

IMPORTANT INFORMATION

Shareholders are informed that:

As from 18th June 2011, the Investment Adviser will receive a performance fee for the Morgan Stanley Investment Funds Absolute Return Currency Fund Z Share Class. The calculation of this performance fee will be made as set out in the section headed "Performance Fee" of the Prospectus.

This Addendum forms an integral part of the Prospectus and should be read in conjunction herewith.

Contents

Prospectus of the Morgan Stanley Investment Funds

Société d'Investissement à Capital Variable Luxembourg ("SICAV")

Morgan Stanley Investment Funds (the "Company") is registered in the Grand Duchy of Luxembourg as an undertaking for collective investment pursuant to Part I of the Law of 20th December 2002 on undertakings for collective investment (as amended). Such registration however does not imply a positive assessment by the supervisory authority of the quality of the shares of the Company (the "Shares") offered for sale. Any representation to the contrary is unauthorised and unlawful. The Company 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 21st January 2002 (the "UCITS Directive"). The Company is a self-managed SICAV in accordance with Article 27 of the Law of 20th December 2002 on undertakings for collective investment (as amended).

Subscriptions can be accepted only on the basis of the current prospectus (the "Prospectus"), which is valid only if accompanied by a copy of the latest Annual Report containing the audited accounts, and of the semi-annual report if such report is published after the latest Annual Report. These reports form an integral part of the Prospectus.

No person is authorised to make any representation other than as contained in the Prospectus or in the documents referred to in the Prospectus. Such documents are available to the public at the registered office of Morgan Stanley Investment Funds, Luxembourg.

This Prospectus was prepared in English and will be translated into other languages. Any such translation shall only contain the same information and have the same meanings as the English language document. Where there is any inconsistency between the English language document and the document in another language, the English language document shall prevail except to the extent (but only to the extent) required by the laws of any jurisdiction where the Shares are sold, so that in an action based upon disclosure in a document of a language other than English, the language of the document on which such action is based shall prevail.

Important: If you are in any doubt about the contents of this document, you should consult your stockbroker, bank manager, solicitor, accountant or other financial adviser.

The Company may, if, in the opinion of the Directors of the Company (the "Directors"), it is likely to be fiscally beneficial for the Company, invest via one or more wholly-owned subsidiaries located in any jurisdiction in the world.

The distribution of this Prospectus and the Offering of the Shares may be restricted in certain jurisdictions. It is the responsibility of any persons in possession of this Prospectus and any persons

The date of this Prospectus is February 2011.

wishing to make application for Shares pursuant to this Prospectus to inform themselves of and to observe all applicable laws and regulations of any relevant jurisdictions.

In particular, the Shares have not been and will not be registered under the United States Securities Act of 1933, as amended (nor has the Company been registered under the United States Investment Company Act of 1940, as amended) and may not be offered or sold, directly or indirectly, in the United States of America or its territories or possessions or areas subject to its jurisdiction, or to citizens or residents thereof other than in accordance with the laws of the United States.

The Company has appointed a distributor (the "Distributor") for marketing the Shares and the Distributor may appoint sub-distributors (each a "distributor"). The duties of the distributors shall include passing the subscription, redemption and conversion orders to the Company's central administration in Luxembourg. The distributors may not offset the orders received or carry out any duties connected to the individual processing of the subscription, redemption and conversion orders. In addition, any investor may deal directly with the Company in order to subscribe for, redeem or convert Shares.

The Directors have taken all reasonable care to ensure that at the date of this Prospectus the information contained herein is accurate and complete in all material respects. The Directors accept responsibility accordingly. However, the Directors do not accept responsibility with regard to the content of the Prospectus or any information relating to the Shares other than to the Shareholders of the Company.

Any information given by any person not mentioned in the Prospectus should be regarded as unauthorised. The information contained in the Prospectus is considered to be accurate at the date of its publication. To reflect material changes, this document may be updated from time to time and potential subscribers should enquire of the Company as to the issue of any later Prospectus.

It should be remembered that the price of the Shares can go down as well as up. An investor may not get back the amount he has invested, particularly if Shares are redeemed soon after they are issued and the Shares have been subject to a Sales Charge or transaction charge. Changes in exchange rates may also cause the value of Shares in the investor's base currency to go up or down.

The Company determines the price or Net Asset Value of its Shares on a forward basis. This means that it is not possible to know in advance the Net Asset Value per Share at which Shares will be bought or sold (exclusive of any sales charges). The Net Asset Value per Share is calculated at the valuation point following the Cut-Off Point (as defined below).

The Company's Funds, with the exception of the Liquidity Funds, are not designed for investors with short term investment horizons. Activities which may adversely affect the interests of the Company's Shareholders (for example that disrupt investment strategies or impact expenses) are not permitted. Specifically, market timing is not permitted.

Whilst recognising that Shareholders may have legitimate needs to adjust their investments from time to time, the Directors in their discretion may, if they deem such activities adversely affect the interests of the Company's Shareholders, take action as appropriate to deter such activities.

Accordingly if the Directors determine or suspect that a Shareholder has engaged in such activities, they may suspend, cancel, reject or otherwise deal with that Shareholder's subscription or conversion applications and take any action or measures as appropriate or necessary to protect the Company and its Shareholders.

Such measures may include the imposition of a redemption fee on the redemption proceeds of Shareholders whom the Directors determine to have engaged in such activities, or the imposition of limits on the number of conversions of Shares between Funds which are permitted, as described under "Redemption of Shares" and "Conversion of Shares".

Potential subscribers or purchasers of Shares should inform themselves as to (a) the possible tax consequences, (b) the legal requirements, and (c) any foreign exchange restrictions or exchange control requirements which they might encounter under the laws of the countries of their citizenship, residence or domicile and which might be relevant to the subscription, purchase, holding, conversion or sale of Shares.

Definitions

All references in the Prospectus to:

- “Business Day” refer to any day on which banks are open for business in London, Luxembourg, Mauritius, New York and Tokyo as the case may be;
- “CET” refer to Central European Time;
- “Cut-Off Point” refer to the time by which the Transfer Agent must receive applications for subscription, conversion or redemption in respect of a Dealing Day for such application to be processed on such Dealing Day. This shall mean 1pm CET on a Dealing Day for all Funds;
- “Dealing Day” refer to any full Luxembourg Business Day for all Funds;
- “Euro” refer to the currency of the member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Economic Community (signed in Rome on 25th March 1957), as amended by the Treaty on European Union (signed in Maastricht on 7th February 1992);
- “Eurozone” refer to those member states of the European Union which have adopted the Euro as their national currency;
- “Fixed Income Securities” shall mean any transferable securities, money market instruments or deposits, including but not limited to fixed or floating rate instruments (including but not limited to commercial paper and securitised debt instruments), floating rate notes, certificates of deposit, debentures, asset backed securities and government or corporate bonds, cash and cash equivalents, subject always to such instruments being Eligible Assets for investments of UCITS, subject to the provisions of Directive EC 2007/16;
- “JPY” or “Yen” refer to the currency of Japan;
- the “Law” refer to the laws of the Grand Duchy of Luxembourg;
- “Reference Currency” refer to the reference currency as defined for each fund under Section 1.1 “The Company and the Funds” of this Prospectus;
- “Sterling” or “£” refer to the currency of the United Kingdom; and
- “USD”, “US$”, “US Dollars” and “$” refer to the currency of the United States of America.

Section 1
1.1 The Company and the Funds

THE COMPANY

The Company is an open-ended investment company with variable capital *("société d'investissement à capital variable")* incorporated in Luxembourg with limited liability under Part I of the UCITS Law. The Company is presently structured to provide both institutional and individual investors with a variety of funds (hereinafter referred to collectively as the "Funds" or singularly as a "Fund"). The Company offers a range of thirty nine equity, bond, liquidity, asset allocation and alternative investment funds denominated in the currencies specified below (the "Reference Currencies").

Some Funds are authorised to use derivatives and financial techniques and instruments as an important part of their investment strategies as described in the Funds' investment objectives. These Funds may be sophisticated for the purposes of the UCITS III regulations applicable to the Company as per the classification made by the Directors. A list of the Funds which are categorised as sophisticated Funds can be found under Section 1.3 List of Sophisticated Funds.

Equity Funds

Morgan Stanley Investment Funds Asian Equity Fund, (Reference Currency: USD) (the "Asian Equity Fund")

Morgan Stanley Investment Funds Asia-Pacific Equity Fund, (Reference Currency: USD) (the "Asia-Pacific Equity Fund")[1]

Morgan Stanley Investment Funds Asian Property Fund, (Reference Currency: USD) (the "Asian Property Fund")

Morgan Stanley Investment Funds Emerging Europe, Middle East and Africa Equity Fund, (Reference Currency: Euro) (the "Emerging Europe, Middle East and Africa Equity Fund")

Morgan Stanley Investment Funds Emerging Markets Equity Fund, (Reference Currency: USD) (the "Emerging Markets Equity Fund")

Morgan Stanley Investment Funds European Equity Alpha Fund, (Reference Currency: Euro) (the "European Equity Alpha Fund")

Morgan Stanley Investment Funds European Property Fund, (Reference Currency: Euro) (the "European Property Fund")

Morgan Stanley Investment Funds European Small Cap Value Fund, (Reference Currency: Euro) (the "European Small Cap Value Fund")

Morgan Stanley Investment Funds Eurozone Equity Alpha Fund, (Reference Currency: Euro) (the "Eurozone Equity Alpha Fund")

Morgan Stanley Investment Funds Global Brands Fund, (Reference Currency: USD) (the "Global Brands Fund")

Morgan Stanley Investment Funds Global Equity Allocation Fund, (Reference Currency: USD) (the "Global Equity Allocation Fund")[2]

Morgan Stanley Investment Funds Global Infrastructure Fund, (Reference Currency: USD) (the "Global Infrastructure Fund")

Morgan Stanley Investment Funds Global Opportunity Fund, (Reference Currency: USD) (the "Global Opportunity Fund")

Morgan Stanley Investment Funds Global Property Fund, (Reference Currency: USD) (the "Global Property Fund")

Morgan Stanley Investment Funds Indian Equity Fund, (Reference Currency: USD) (the "Indian Equity Fund")

Morgan Stanley Investment Funds Japanese Equity Fund, (Reference Currency: Yen) (the "Japanese Equity Fund")

Morgan Stanley Investment Funds Latin American Equity Fund, (Reference Currency: USD) (the "Latin American Equity Fund")

Morgan Stanley Investment Funds US Advantage Fund, (Reference Currency: USD) (the "US Advantage Fund")

Morgan Stanley Investment Funds US Growth Fund, (Reference Currency: USD) (the "US Growth Fund")

Morgan Stanley Investment Funds US Property Fund, (Reference Currency: USD) (the "US Property Fund")

Bond Funds

Morgan Stanley Investment Funds Emerging Markets Corporate Debt Fund, (Reference Currency: USD) (the "Emerging Markets Corporate Debt Fund")[3]

Morgan Stanley Investment Funds Emerging Markets Debt Fund, (Reference Currency: USD) (the "Emerging Markets Debt Fund")

Morgan Stanley Investment Funds Emerging Markets Domestic Debt Fund, (Reference Currency: USD) (the "Emerging Markets Domestic Debt Fund")

Morgan Stanley Investment Funds Euro Bond Fund, (Reference Currency: Euro) (the "Euro Bond Fund")

Morgan Stanley Investment Funds Euro Corporate Bond Fund, (Reference Currency: Euro) (the "Euro Corporate Bond Fund")

Morgan Stanley Investment Funds Euro Government Bond Fund, (Reference Currency: Euro) (the "Euro Government Bond Fund")[4]

Morgan Stanley Investment Funds Euro Select Credit Fund, (Reference Currency: Euro) (the "Euro Select Credit Fund")[5]

Morgan Stanley Investment Funds Euro Strategic Bond Fund, (Reference Currency: Euro) (the "Euro Strategic Bond Fund")

Morgan Stanley Investment Funds European Currencies High Yield Bond Fund, (Reference Currency: Euro) (the "European Currencies High Yield Bond Fund")

Morgan Stanley Investment Funds Global Bond Fund, (Reference Currency: USD) (the "Global Bond Fund")

Morgan Stanley Investment Funds Global Convertible Bond Fund, (Reference Currency: USD) (the "Global Convertible Bond Fund")

[1] On 25th March 2011, the Asia-Pacific Equity Fund will be offered for one day at an initial offer price of USD 25 per share in each class. Payment of the initial offer price must be made in cleared funds on 25th March 2011 to be received by the Transfer Agent in accordance with the "Issue of Shares, Subscription and Payment Procedure" section of this Prospectus.

[2] The Global Equity Allocation Fund is not available for subscription at the date of this Prospectus. The Fund may be launched at the Directors' discretion, at which time, confirmation of the launch of the Global Equity Allocation Fund will be made available at the registered office of the Company.

[3] On 7th March 2011, the Emerging Markets Corporate Debt Fund will be offered for one day at an initial offer price of USD 25 per share in each class. Payment of the initial offer price must be made in cleared funds on 7th March 2011 to be received by the Transfer Agent in accordance with the "Issue of Shares, Subscription and Payment Procedure" section of this Prospectus.

[4] The Euro Government Bond Fund is not available for subscription at the date of this Prospectus. The Fund may be launched at the Directors' discretion, at which time, confirmation of the launch of the Euro Government Bond Fund will be made available at the registered office of the Company.

[5] The Euro Select Credit Fund is not available for subscription at the date of this Prospectus. The Fund may be launched at the Directors' discretion, at which time, confirmation of the launch of the Euro Select Credit Fund will be made available at the registered office of the Company.

Morgan Stanley Investment Funds Global High Yield Bond Fund, (Reference Currency: USD) (the "Global High Yield Bond Fund")[6]

Morgan Stanley Investment Funds Short Maturity Euro Bond Fund, (Reference Currency: Euro) (the "Short Maturity Euro Bond Fund")

Liquidity Funds

Morgan Stanley Investment Funds Euro Government Liquidity Fund, (Reference Currency: Euro) (the "Euro Government Liquidity Fund")[7]

Morgan Stanley Investment Funds Euro Liquidity Fund, (Reference Currency: Euro) (the "Euro Liquidity Fund")

Morgan Stanley Investment Funds US Dollar Liquidity Fund, (Reference Currency: USD) (the "US Dollar Liquidity Fund")

Asset Allocation Funds

Morgan Stanley Investment Funds Diversified Alpha Plus Fund, (Reference Currency: Euro) (the "Diversified Alpha Plus Fund")

Morgan Stanley Investment Funds Emerging Markets Securities Fund, (Reference Currency: USD) (the "Emerging Markets Securities Fund")[8]

Alternative Investment Funds

Morgan Stanley Investment Funds Absolute Return Currency Fund, (Reference Currency: Euro) (the "Absolute Return Currency Fund")

[6] The Global High Yield Bond Fund is not available for subscription at the date of this Prospectus. The Fund may be launched at the Directors' discretion, at which time, confirmation of the launch of the Global High Yield Bond Fund will made be available at the registered office of the Company.

[7] The Euro Government Liquidity Fund is not available for subscription at the date of this Prospectus. The Fund may be launched at the Directors' discretion, at which time, confirmation of the launch of the Euro Government Liquidity Fund will made be available at the registered office of the Company.

[8] The Emerging Markets Securities Fund is not available for subscription at the date of this Prospectus. The Fund may be launched at the Directors' discretion, at which time, confirmation of the launch of the Emerging Markets Securities Fund will be made available at the registered office of the Company.

1.2 Investment Objectives and Policies

The purpose of the Company is to provide investors with an opportunity for investment in a professionally managed fund range which seeks to spread investment risks in order to achieve an optimum return from the capital invested.

For this purpose the Company offers a choice of thirty six Funds which allow investors to make their own strategic allocation by combining holdings in the various Funds in proportions of their own choosing. Funds will not be offered for sale to the public in a given jurisdiction until all proper authorisations in the relevant jurisdiction are obtained.

Each of the Funds is managed in accordance with the investment and borrowing restrictions specified in Appendix A. The Funds are authorised to use derivatives and financial techniques and instruments and participate in securities lending and repurchase transactions either for hedging or efficient portfolio management purposes or as part of their investment strategies as described in the Funds' investment objectives. Unless stated otherwise in the investment objectives of a Fund, a Fund which uses the Derivatives and Financial Techniques and Instruments and participates in securities lending and repurchase transactions specified in Sections 3 and 4 of Appendix A will do so for hedging and/or efficient portfolio management purposes only. Funds using Derivatives and Financial Techniques and Instruments and participating in securities lending and repurchase transactions will do so within the limits specified in Section 3 and 4 of Appendix A. Investors should refer to "Risk Factors" below for special risk considerations applicable to derivatives, securities lending and repurchase transactions.

An investment in any of the Company's Funds is not a deposit in a bank or other insured depository institution. Investment may not be appropriate for all investors. Each Fund is not intended to be a complete investment programme and investors should consider their long term investment goals and financial needs when making an investment decision about a particular Fund. An investment in the Company's Funds is intended to be a medium-long term investment with the exception of the Liquidity Funds. Funds should not be used as trading vehicle.

GENERAL INFORMATION RELATING TO THE FUNDS

For clarification purposes, if the objective of a Fund uses terms such as "primarily" and "principally" this will refer to a level equal to at least 70% of the actually invested assets (gross assets after deducting cash and cash equivalents). Likewise, the term "ancillary" will refer to a level of 30% or less. For a limited number of Funds if used in the objectives of those Funds: (i) terms such as "primarily" and "principally" will mean at least 75% of the actually invested assets and (ii) the term "ancillary" will mean 25% or less; such Funds being, namely, the European Equity Alpha Fund, the Eurozone Equity Alpha Fund and the European Small Cap Value Fund. Ancillary investment by the Equity Funds in debt claims (as defined by Council Directive 2003/48/EC (the "EU Savings Directive")) will be limited to 15% of Net Asset Value, although the 30% ancillary limit will continue to apply to the total ancillary investments made by such Funds. The term "limited extent" will refer to a level equal to that of 10% or less of the actually invested assets (net assets after deducting cash and cash equivalents) of each Fund. Individual Funds may impose different levels and these will be outlined in the objectives for that Fund.

If such percentages are exceeded for reasons beyond the control of the Company or as a result of the exercise of subscription rights attaching to securities which form part of the assets of the Company, the Company shall take such steps as are necessary to ensure a restoration of compliance as soon as is reasonably practicable having regard to the interests of Shareholders.

If a currency is mentioned in brackets in the name of a Fund, such currency is the reference currency of such Fund and is used for performance measurement and accounting purposes. It may differ from the investment currency of the Fund.

The Russian Trading Stock Exchange and the Moscow Interbank Currency Exchange are the only exchanges in the Russian Federation that qualify as Recognised Exchanges within the meaning of Article 41(1) of the Law of 20th December 2002 on undertakings for collective investment (as amended).

There can be no guarantee that the investment objectives of the Funds will be met.

Investors should consult the simplified prospectus of the Company for information relating to historic performance.

EQUITY FUNDS

The various Equity Funds have the following objectives:

ASIAN EQUITY FUND

The Asian Equity Fund's investment objective is to seek long term capital appreciation, measured in US Dollars, through investment primarily in the equity securities of companies domiciled in or exercising the predominant part of their economic activity in Asia, excluding Japan, thereby taking advantage of the dynamic economic growth capabilities of the region. The Fund invests in established markets of the region, such as South Korea, Taiwan, Singapore, Malaysia, Hong Kong and Thailand but additional opportunities are also sought, whenever regulations permit, in any of the emerging markets in Asia. The Fund may also invest on an ancillary basis in depositary receipts (including American Depositary Receipts (ADRs), Global Depositary Receipts (GDRs) and European Depositary Receipts (EDRs)), debt securities convertible into common shares, preference shares, debentures, warrants and securities not widely traded.

Investors should refer to "Risk Factors" below for special risk considerations applicable to emerging markets.

Profile of the typical investor

In light of the Asian Equity Fund's investment objective it may be appropriate for investors who:

- Seek to invest in equity securities.
- Seek capital appreciation over the long term.
- Seek income whether in the form of capital appreciation or distributions, as outlined in "Dividend Policy".
- Accept the risks associated with this type of investment, as set out in "Risk Factors" below.

ASIA-PACIFIC EQUITY FUND

The Asia-Pacific Equity Fund's investment objective is to seek long term capital appreciation, measured in US Dollars, through investment primarily in the equity securities of companies domiciled in or exercising the predominant part of their economic activity in the Asia-Pacific region, excluding Japan, thereby taking advantage of the dynamic economic growth capabilities of the region. The Fund invests in developed and emerging markets of the region, such as Australia, China, Hong Kong, India, Indonesia, South Korea, Malaysia, New Zealand, Philippines, Singapore, Taiwan and Thailand, but additional opportunities are also sought in the region, whenever regulations permit. The Fund may also invest on an ancillary basis in depositary receipts (including American Depositary Receipts (ADRs), Global Depositary Receipts (GDRs) and European Depositary Receipts (EDRs)), debt securities convertible into common shares, preference shares, debentures, warrants and securities not widely traded.

Investors should refer to "Risk Factors" below for special risk considerations applicable to emerging markets.

Profile of the typical investor

In light of the Asia-Pacific Equity Fund's investment objective it may be appropriate for investors who:

- Seek to invest in equity securities.
- Seek capital appreciation over the long term.
- Seek income whether in the form of capital appreciation or distributions, as outlined in "Dividend Policy".
- Accept the risks associated with this type of investment, as set out in the "Risk Factors" below.

ASIAN PROPERTY FUND

The Asian Property Fund's investment objective is to seek long term capital appreciation, measured in US Dollars, through investment in the equity securities of companies in the real estate industry located throughout Asia and Oceania. Companies in the real estate industry may include companies principally engaged in the development and/or ownership of income-producing property and collective investment vehicles with exposure to property such as publicly quoted property unit trusts, Real Estate Investment Trusts and undertakings for collective investment. By investing in collective investment vehicles indirectly through the Fund, the investor will bear not only his proportionate share of the management fee of the Fund, but also indirectly, the management expenses of the underlying collective investment vehicles. The Fund may also invest, on an ancillary basis, in preference shares, debt securities convertible into common shares and other equity linked instruments.

Investors should refer to "Risk Factors" section of the Prospectus for special risk considerations applicable to investing in companies principally engaged in the real estate industry.

Profile of the typical investor

In light of the Asian Property Fund's investment objective it may be appropriate for investors who:

- Seek to invest in equity securities.
- Seek capital appreciation over the long term.
- Seek income whether in the form of capital appreciation or distributions, as outlined in "Dividend Policy".

- Accept the risks associated with this type of investment, as set out in “Risk Factors” below.

EMERGING EUROPE, MIDDLE EAST AND AFRICA EQUITY FUND

The Emerging Europe, Middle East and Africa Equity Fund’s investment objective is to seek long term capital appreciation, measured in Euro, by investing primarily in equity securities of issuers in Central, Eastern and Southern Europe, the Middle East and Africa. The Fund may also invest on an ancillary basis in debt securities convertible into common shares and other equity linked investments of such issuers as well as in equity, equity-linked and debt securities of issuers in the Central Asian states of the former Soviet Union. For the avoidance of doubt, investment in equity securities of issuers in the Russian Federation shall be deemed to be investments in the equity securities of issuers in Central, Eastern and Southern Europe. The markets of countries invested in must be recognised exchanges (“Recognised Exchanges”) within the meaning of Article 41(1) of the Law of 20th December 2002 on undertakings for collective investment (as amended). Investments in securities listed on exchanges which are not Recognised Exchanges shall be treated as investments in non-listed securities (subject to Appendix A – Investment Powers and Restrictions) until such time as such exchanges are deemed to be Recognised Exchanges.

Investors should refer to “Risk Factors” below for special risk considerations applicable to emerging markets.

Profile of the typical investor

In light of the Emerging Europe, Middle East and Africa Equity Fund’s investment objective it may be appropriate for investors who:

- Seek to invest in equity securities.
- Seek capital appreciation over the long term.
- Seek income whether in the form of capital appreciation or distributions, as outlined in “Dividend Policy”.
- Accept the risks associated with this type of investment, as set out in “Risk Factors” below.

EMERGING MARKETS EQUITY FUND

The Emerging Markets Equity Fund’s investment objective is to seek to maximise total return, measured in US Dollars, through investment primarily in emerging country equity securities. The Fund will invest in those emerging market countries in which the Company believes that economies are developing strongly and in which the markets are becoming more sophisticated. Such countries include Argentina, Botswana, Brazil, Chile, China, Colombia, Greece, Hungary, India, Indonesia, Jamaica, Jordan, Kenya, Malaysia, Mexico, Nigeria, Pakistan, the Philippines, Poland, Portugal, the Russian Federation, South Africa, South Korea, Sri Lanka, Taiwan, Thailand, Turkey, Venezuela and Zimbabwe, provided that the markets of these countries are considered to be recognised exchanges (“Recognised Exchanges”) within the meaning of Article 41(1) of the Law of 20th December 2002 on undertakings for collective investment (as amended). As markets in other countries develop, the Fund expects to expand and further diversify the emerging markets in which it invests. Investments in securities listed on exchanges which are not Recognised Exchanges shall be treated as investments in non-listed securities (see Appendix A – Investment Powers and Restrictions) until such time as such exchanges are deemed to be Recognised Exchanges. The Fund may invest in the securities of companies organised and located in countries other than an emerging market where the value of the company’s securities will reflect principally conditions in an emerging country, or where the principal securities trading market for which is in an emerging country, or where 50% of the company’s revenue alone or on a consolidated basis is derived from either goods produced, sales made or services performed in emerging countries. The Fund may invest in debt securities convertible into common shares, preference shares and other equity linked instruments. To the extent the Fund’s assets are not invested in emerging market equity or equity linked investments, the remainder of the assets may be invested in debt securities. For temporary defensive purposes, during periods in which the Company believes changes in economic, financial or political conditions make it advisable, the Fund may reduce its holdings in emerging country equity securities to below 50% of the Fund’s assets and invest in other equity securities or in debt securities.

Investors should refer to “Risk Factors” below for special risk considerations applicable to emerging markets.

Profile of the typical investor

In light of the Emerging Markets Equity Fund’s investment objective it may be appropriate for investors who:

- Seek to invest in equity securities.
- Seek capital appreciation over the long term.
- Seek income whether in the form of capital appreciation or distributions, as outlined in “Dividend Policy”.
- Accept the risks associated with this type of investment, as set out in “Risk Factors” below.

EUROPEAN EQUITY ALPHA FUND

The European Equity Alpha Fund’s investment objective is to seek long term capital growth measured in Euro, through investment primarily in a concentrated portfolio of equity securities of companies listed on European stock exchanges. 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. Such companies will include companies whose securities are traded over the counter in the form of American Depository Receipts (ADRs) or European Depository Receipts (EDRs) (subject to Appendix A – Investment Powers and Restrictions). The Fund may also invest, on an ancillary basis, in debt securities convertible into common shares, preference shares, warrants and other equity linked instruments.

Profile of the typical investor

In light of the European Equity Alpha Fund's investment objective it may be appropriate for investors who:

- Seek to invest in equity securities.
- Seek capital appreciation over the long term.
- Seek income whether in the form of capital appreciation or distributions, as outlined in "Dividend Policy".
- Accept the risks associated with this type of investment, as set out in "Risk Factors" below.

EUROPEAN PROPERTY FUND

The European Property Fund's investment objective is to seek long term capital appreciation, measured in Euro, through investment in the equity securities of companies in the European real estate industry. Companies in the real estate industry may include property development companies, companies principally engaged in the development and/or ownership of income-producing property and collective investment vehicles with exposure to property such as publicly quoted property unit trusts, Real Estate Investment Trusts and undertakings for collective investment. By investing in collective investment vehicles indirectly through the Fund, the investor will bear not only his proportionate share of the management fee of the Fund, but also indirectly, the management expenses of the underlying collective investment vehicles. The Fund may also invest, on an ancillary basis, in preference shares, debt securities convertible into common shares and other equity linked instruments.

Investors should refer to "Risk Factors" section of the Prospectus for special risk considerations applicable to investing in companies principally engaged in the real estate industry.

Profile of the typical investor

In light of the European Property Fund's investment objective it may be appropriate for investors who:

- Seek to invest in equity securities.
- Seek capital appreciation over the long term.
- Seek income whether in the form of capital appreciation or distributions, as outlined in "Dividend Policy".
- Accept the risks associated with this type of investment, as set out in "Risk Factors" below.

EUROPEAN SMALL CAP VALUE FUND

The European Small Cap Value Fund's investment objective is to provide an attractive rate of return, measured in Euro, by investing primarily in the common stocks of small sized European corporations with a market capitalisation of up to US$5 billion (or equivalent) that the Company believes to be undervalued relative to the stock market in general at the time of purchase. Investments in the securities of small capitalisation corporations involve greater risk and the markets for such securities may be more volatile and less liquid. The Fund intends to invest primarily in securities listed on stock exchanges or other Regulated Markets; as such it may also purchase or sell such securities in over-the-counter markets. The Fund may invest, on an ancillary basis, in the stocks of European corporations with a market capitalisation over US$5 billion, in debt securities convertible into common shares, preference shares and other equity linked instruments.

Profile of the typical investor

In light of the European Small Cap Value Fund's investment objective it may be appropriate for investors who:

- Seek to invest in equity securities.
- Seek capital appreciation over the long term.
- Seek income whether in the form of capital appreciation or distributions, as outlined in "Dividend Policy".
- Accept the risks associated with this type of investment, as set out in "Risk Factors" below.

EUROZONE EQUITY ALPHA FUND

The Eurozone Equity Alpha Fund's investment objective is to seek 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. Such companies will include companies whose equity securities are traded on a stock exchange in the Eurozone or whose securities are traded over the counter in the form of American Depository Receipts (ADRs) or European Depository Receipts (EDRs) (subject to Appendix A – Investment Powers and Restrictions). The Fund may also invest, on an ancillary basis, in debt securities convertible into common shares, preference shares, warrants and other equity linked instruments.

Profile of the typical investor

In light of the Eurozone Equity Alpha Fund's investment objective it may be appropriate for investors who:

- Seek to invest in equity securities.
- Seek capital appreciation over the long term.
- Seek income whether in the form of capital appreciation or distributions, as outlined in "Dividend Policy".
- Accept the risks associated with this type of investment, as set out in "Risk Factors" below.

GLOBAL BRANDS FUND

The Global Brands Fund's investment objective is to seek an attractive long term rate of return, measured in US Dollars, through investment principally in equity securities of companies in the world's developed countries. The Fund will invest in a concentrated portfolio of companies whose success the Company believes depends on intangible assets (for example, but not limited to, brand names, copyrights or methods of distribution) underpinning a strong business franchise. The Fund may also invest, on an ancillary basis, in preference shares, debt securities convertible into common shares or preference shares, warrants on securities and other equity linked securities.

Profile of the typical investor

In light of the Global Brands Fund's investment objective it may be appropriate for investors who:

- Seek to invest in equity securities.
- Seek capital appreciation over the long term.
- Seek income whether in the form of capital appreciation or distributions, as outlined in "Dividend Policy".
- Accept the risks associated with this type of investment, as set out in "Risk Factors" below.

GLOBAL EQUITY ALLOCATION FUND

The Global Equity Allocation Fund's investment objective is to seek long-term capital appreciation, in US Dollars, by investing primarily in equity securities issued by companies located throughout the world. The portfolio is constructed on the basis of the belief that the most important factors to global equity investing are choice of region, country and industry sector. The investment process will utilise a top-down approach that actively emphasizes region, country and industry sector selection and weightings more heavily than individual stock selection. The investment decisions are implemented through optimized stock baskets that are constructed to broadly track the local MSCI Indices. The portfolio is well diversified and has little stock specific risk.

Profile of the typical investor

In light of the Global Equity Allocation Fund's investment objective it may be appropriate for investors who:

- Seek to invest in equity securities.
- Seek capital appreciation over the long term.
- Seek income whether in the form of capital appreciation or distributions, as outlined in "Dividend Policy".
- Accept the risks associated with this type of investment, as set out in "Risk Factors" below.

GLOBAL INFRASTRUCTURE FUND

The Global Infrastructure Fund's investment objective is to seek to provide long term capital appreciation, measured in US Dollars, by investing primarily in equity securities issued by companies located throughout the world that are engaged in the infrastructure business. Companies in the infrastructure business may be involved in, among other areas, the transmission and distribution of electric energy; the storage, transportation and distribution of natural resources, such as natural gas, used to produce energy; the building, operation and maintenance of highways, toll roads, tunnels, bridges and parking lots; the building, operation and maintenance of airports and ports, railroads and mass transit systems; telecommunications; water treatment and distribution; and other emerging infrastructure sectors.

Investors should refer to "Risk Factors" section of the Prospectus for special risk considerations applicable to investing in companies principally engaged in the infrastructure industry.

Profile of the typical investor

In light of the Global Infrastructure Fund's investment objective it may be appropriate for investors who:

- Seek to invest in equity securities.
- Seek capital appreciation over the long term.
- Seek income whether in the form of capital appreciation or distributions, as outlined in "Dividend Policy".
- Accept the risks associated with this type of investment, as set out in "Risk Factors" below.

GLOBAL OPPORTUNITY FUND

The Global Opportunity Fund's investment objective is to seek long term appreciation, measured in US Dollars. Under normal market conditions, the Fund's investment objective will be pursued by investing primarily in growth-oriented equity securities on a global basis. The investment process will emphasize a bottom-up stock selection process, seeking attractive investments on an individual company basis. The selection of securities will be driven by a search for companies with the potential for strong free cash flow generation and that are believed to be undervalued at the time of purchase. Valuation is viewed in the context of prospects for sustainable earnings and cash flow growth. Fundamental research drives the investment process. Companies believed to have consistent or rising earnings growth records and compelling business strategies will typically be focused on. On an ongoing basis company developments, including business strategy and financial results are studied. A portfolio holding will generally be considered for divestment when it is determined that the holding no longer satisfies the Fund's investment criteria. The Fund may also invest on an ancillary basis, in equities of companies not meeting the above requirements, debt securities convertible into common shares, preference shares, warrants on securities and other equity linked securities.

Profile of the typical investor

In light of the Global Opportunity Fund's investment objective it may be appropriate for investors who:

- Seek to invest in equity securities.
- Seek capital appreciation over the long term.
- Seek income whether in the form of capital appreciation or distributions, as outlined in "Dividend Policy".
- Accept the risks associated with this type of investment, as set out in "Risk Factors" below.

GLOBAL PROPERTY FUND

The Global Property Fund's investment objective is to seek long term capital appreciation, measured in US Dollars, primarily through investment in the equity securities of companies in the real estate industry located throughout the world. Companies in the real estate industry may include companies principally engaged in the development and/or ownership of income-producing property and collective investment vehicles with exposure to property such as publicly quoted property unit trusts, Real Estate Investment Trusts and undertakings for collective investment. By investing in collective investment vehicles indirectly through the Fund, the investor will bear not only his proportionate share of the management fee of the Fund, but also indirectly, the management expenses of the underlying collective investment vehicles. The Fund may also invest on an ancillary basis in preference shares, debt securities convertible into common shares and other equity linked instruments.

Investors should refer to "Risk Factors" section of the Prospectus for special risk considerations applicable to investing in companies principally engaged in the real estate industry.

Profile of the typical investor

In light of the Global Property Fund's investment objective it may be appropriate for investors who:

- Seek to invest in equity securities.
- Seek capital appreciation over the long term.
- Seek income whether in the form of capital appreciation or distributions, as outlined in "Dividend Policy".
- Accept the risks associated with this type of investment, as set out in "Risk Factors" below.

INDIAN EQUITY FUND

The Indian Equity Fund's investment objective is to seek long term capital appreciation, measured in US Dollars, by investment through the Subsidiary, primarily in the equity securities of companies domiciled or exercising the predominant part of their economic activity in India. The Fund, through the Subsidiary (as defined below), may also invest, on an ancillary basis, in companies listed on Indian stock exchanges which may not be domiciled or exercising the predominant part of their economic activity in India, in depositary receipts (including American Depositary Receipts (ADRs), Global Depositary Receipts (GDRs) and European Depositary Receipts (EDRs)), debt securities convertible into common shares, preference shares, debentures, warrants on securities and other equity linked securities. The Fund, through the Subsidiary, will invest in a concentrated portfolio of companies.

Investors should refer to "Risk Factors" below for special risk considerations applicable to emerging markets.

Profile of the typical investor

In light of the Indian Equity Fund's investment objective it may be appropriate for investors who:

- Seek to invest in equity securities.
- Seek capital appreciation over the long term.
- Seek income whether in the form of capital appreciation or distributions, as outlined in "Dividend Policy".
- Accept the risks associated with this type of investment, as set out in the "Risk Factors" below.

JAPANESE EQUITY FUND

The Japanese Equity Fund's investment objective is to seek long term capital appreciation, measured in Yen, through investment primarily in the equity securities of companies domiciled in or exercising the predominant part of their economic activity in Japan and which are listed on any exchanges or over-the-counter markets (subject to Appendix A – Investment Powers and Restrictions). The Fund may also invest, on an ancillary basis, in debt securities convertible into common shares and other equity linked instruments.

Profile of the typical investor

In light of the Japanese Equity Fund's investment objective it may be appropriate for investors who:

- Seek to invest in equity securities.
- Seek capital appreciation over the long term.
- Seek income whether in the form of capital appreciation or distributions, as outlined in "Dividend Policy".
- Accept the risks associated with this type of investment, as set out in "Risk Factors" below.

LATIN AMERICAN EQUITY FUND

The Latin American Equity Fund's investment objective is to seek to maximise total return, measured in US Dollars, through investment primarily in the common shares of companies incorporated in Latin American countries. Such Latin American countries include Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Cuba, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Uruguay and Venezuela provided that the markets in these countries are considered to be recognised exchanges ("Recognised Exchanges") within the meaning of Article 41(1) of the Law of 20th December 2002 on undertakings for collective investment (as amended). As markets in other countries develop, the Fund expects to expand and further diversify the Latin American markets in which it invests. From time to time, the Fund's investments may be concentrated in a limited number of countries. Investments in securities listed on exchanges which are not Recognised Exchanges shall be treated as investments in non-listed securities (see Appendix A – Investment Powers and Restrictions) until such time as such exchanges are deemed to be Recognised Exchanges. The Fund may invest in the securities of companies organised and located in countries other than the Latin American countries where the value of the company's securities will reflect principally conditions in a Latin American country or where the principal securities trading market is in a Latin American country, or where 50% of the company's revenue alone or on a consolidated basis is derived from either goods produced, sales made or services performed in Latin American countries. The Fund may also invest in debt securities convertible into common shares, preference shares and other equity linked instruments. To the extent the Fund's assets are not invested in equity or equity linked instruments, the remainder of the assets may be invested in debt securities. For temporary defensive purposes, during periods in which the Company believes changes in economic, financial or political conditions make it advisable, the Fund may reduce its holding in Latin American equities to below 80% of the Fund's assets and invest in other equity and debt securities.

Investors should refer to "Risk Factors" below for special risk considerations applicable to emerging markets.

Profile of the typical investor

In light of the Latin American Equity Fund's investment objective it may be appropriate for investors who:

- Seek to invest in equity securities.
- Seek capital appreciation over the long term.
- Seek income whether in the form of capital appreciation or distributions, as outlined in "Dividend Policy".
- Accept the risks associated with this type of investment, as set out in "Risk Factors" below.

US ADVANTAGE FUND

The US Advantage Fund's investment objective is to seek long term capital appreciation, measured in US Dollars, by investing primarily in securities issued by US companies and on an ancillary basis in securities issued by companies that are not from the US. An issuer may be considered to be from a particular country (including the US) or geographic region if (i) its principal securities trading market is in that country or geographic region; (ii) alone or on a consolidated basis it derives 50% or more of its annual revenue from goods produced, sales made or services performed in that country or geographic region; or (iii) it is organised under the laws of, or has a principal office in, that country or geographic region. By applying these tests, it is possible that a particular issuer could be deemed to be from more than one country or geographic region. Under normal market conditions, the Fund's investment objective will be pursued by investing primarily in equity securities of established large-capitalisation companies. The investment process will emphasise a bottom-up stock selection process, seeking attractive investments on an individual company basis. The selection of securities for investment will be driven by a search for large-capitalisation franchises with strong name recognition and sustainable competitive advantages, typically favouring companies with rising returns on invested capital, above average business visibility, strong current period free cash flow generation and attractive risk/reward. Fundamental research drives the investment process. Company developments, including business strategy and financial results, will be studied on an ongoing basis. Portfolio holdings will generally be considered for divestment when it is determined that the holding no longer satisfies the Fund's investment criteria. The Fund may also be invested, on an ancillary basis, in equities of companies not meeting the above requirements, debt securities convertible into common shares, preference shares, warrants on securities and other equity linked securities.

Profile of the typical investor

In light of the US Advantage Fund's investment objective it may be appropriate for investors who:

- Seek to invest in equity securities.

- Seek capital appreciation over the long term.
- Seek income whether in the form of capital appreciation or distributions, as outlined in "Dividend Policy".
- Accept the risks associated with this type of investment, as set out in the "Risk Factors" below.

US GROWTH FUND

The US Growth Fund's investment objective is to seek long term capital appreciation, measured in US Dollars, by investing primarily in securities issued by US companies and on an ancillary basis in securities issued by companies that are not from the US. An issuer may be considered to be from a particular country (including the US) or geographic region if (i) its principal securities trading market is in that country or geographic region; (ii) alone or on a consolidated basis it derives 50% or more of its annual revenue from goods produced, sales made or services performed in that country or geographic region; or (iii) it is organised under the laws of, or has a principal office in, that country or geographic region. By applying these tests, it is possible that a particular issuer could be deemed to be from more than one country or geographic region. Under normal market conditions, the Fund's investment objective will be pursued by investing primarily in equity securities of high quality growth oriented companies. The investment process will emphasise a bottom-up stock selection process, seeking attractive investments on an individual company basis. The selection of securities will be driven by a search for high quality companies that are believed to have sustainable competitive advantages and the ability to redeploy capital at high rates of return. Companies with rising returns on invested capital, above average business visibility, strong free cash flow generation and an attractive risk/reward profile, will typically be favoured. Individual security selection will be emphasised. An investment will generally be considered for divestment when it is determined that the company no longer satisfies the Fund's investment criteria. The Fund may also invest on an ancillary basis, in equities of companies not meeting the above requirements, debt securities convertible into common shares, preference shares, warrants on securities and other equity linked securities.

Profile of the typical investor

In light of the US Growth Fund's investment objective it may be appropriate for investors who:

- Seek to invest in equity securities.
- Seek capital appreciation over the long term.
- Seek income whether in the form of capital appreciation or distributions, as outlined in "Dividend Policy".
- Accept the risks associated with this type of investment, as set out in "Risk Factors" below.

US PROPERTY FUND

The US Property Fund's investment objective is to seek long term capital appreciation, measured in US Dollars, by investing in equity securities of companies in the US real estate industry. The Fund intends to invest in the publicly traded securities of Real Estate Investment Trusts (REITS) and similar Real Estate Operating Companies (REOCS). REITS and REOCS are companies that acquire and/or develop real property for long term investment purposes. They invest the majority of their assets directly in real property and derive their income primarily from rents. By investing in REITS and REOCS through the Fund the investor will bear not only his proportionate share of the management fees of the Fund but also indirectly, the management expenses of the underlying REITS and REOCS. A REIT will not be subject to US income or capital gains tax at the REIT level on the income and gains distributed to shareholders if it complies with several requirements relating to its organisation, ownership, assets, income, and capital gains. However, a REOC is subject to US income and capital gains at the company level. Generally, the taxable income distributed by a regularly traded REIT or REOC to the Fund should be subject to a rate of US withholding tax of 30%. Generally, distributions by a REIT and a REOC of capital gains arising from the disposition of US real estate will be subject to withholding tax of 35% for which a refund may not be available. Distributions which are considered to be a return of capital are generally not subject to the 35% withholding tax. The Fund may also invest, on an ancillary basis, in preference shares, debt securities convertible into common shares and other equity-linked instruments.

Investors should refer to "Risk Factors" section of the Prospectus for special risk considerations applicable to investing in companies principally engaged in the real estate industry.

Profile of the typical investor

In light of the US Property Fund's investment objective it may be appropriate for investors who:

- Seek to invest in equity securities.
- Seek capital appreciation over the long term.
- Seek income whether in the form of capital appreciation or distributions, as outlined in "Dividend Policy".
- Accept the risks associated with this type of investment, as set out in "Risk Factors" below.

BOND FUNDS

The various Bond Funds have the following objectives:

EMERGING MARKETS CORPORATE DEBT FUND

The Emerging Markets Corporate Debt Fund's investment objective is to seek to maximise total return, measured in US Dollars, primarily through investments across the credit spectrum of debt securities of corporate issuers, together with investing in debt securities of government and government related issuers located in emerging markets. The Fund intends to invest its assets in emerging market corporate debt securities that provide a high level of current income, while at the same time holding the potential for capital appreciation.

The Fund may invest in securities which at the time of purchase are rated either lower than "BBB-" by S&P or "Baa3" by Moody's or similarly by another internationally recognised rating service or determined to be of similar creditworthiness by the Investment Adviser. Investment in higher yielding securities is speculative as it generally entails increased credit and market risk. Such securities are subject to the risk of an issuer's inability to meet principal and interest payments on its obligations (credit risk) and may also be subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity.

Emerging markets mean countries based in the following regions: Asia ex Japan, Latin America, Eastern Europe and the Middle East, provided that the markets of these countries are considered to be recognised exchanges ("Recognised Exchanges") within the meaning of Article 41(1) of the Law of 20th December 2002 on undertakings for collective investment (as amended). As markets in other countries develop, the Fund expects to expand and further diversify the emerging markets in which it invests. Investment in securities listed on exchanges which are not Recognised Exchanges shall be treated as investments in non-listed securities (see Appendix A – Investment Powers and Restrictions) until such time as such exchanges are deemed to be Recognised Exchanges. The Fund may invest in the securities of companies organised and located in countries other than an emerging market where the value of the company's securities will reflect principally conditions in an emerging country or where the principal securities trading market for which is in an emerging country, or where 50% of the company's revenue alone or on a consolidated basis is derived from either goods produced, sales made or services performed in emerging countries. Emerging market debt securities held by the Fund will take the form of bonds, notes, bills, debentures, convertible securities, bank debt obligations, short-term paper, mortgage and, subject to applicable law, other asset-backed securities, loan participations and loan assignments, to the extent that these instruments are securitised.

With a view to enhancing returns and/or as part of the investment strategy, the Fund may (in accordance with the investment powers and restrictions set out in Appendix A) make use of exchange traded and over-the-counter options, futures and other derivatives for investment or efficient portfolio management (including hedging) purposes. **As the Fund will use financial derivative instruments, investors should refer to "Risk Factors" below for special risk considerations applicable to emerging markets and derivatives**. The Fund may, on an ancillary basis, invest in other emerging markets fixed income securities and in emerging markets fixed income securities denominated in currencies other than US Dollars. The Fund may also invest, to a limited extent, in warrants on transferable securities issued by issuers in emerging markets.

Profile of the typical investor

In light of the Emerging Markets Corporate Debt Fund's investment objective, it may be appropriate for investors who:

- Seek to invest in Fixed Income Securities in emerging markets.
- Seek capital appreciation over the long term.
- Seek income whether in the form of capital appreciation or distributions, as outlined in "Dividend Policy".
- Accept the risks associated with this type of investment, as set out in "Risk Factors" below.

EMERGING MARKETS DEBT FUND

The Emerging Markets Debt Fund's investment objective is to seek to maximise total return, measured in US Dollars, through investment in the debt securities of government and government-related issuers located in emerging countries (including, to the extent these instruments are securitised, participations in loans between governments and financial institutions), and to the extent such securities comply with Article 41(1) of the Law of 20th December 2002 on undertakings for collective investment (as amended), the Fund may invest in debt securities of entities organised to restructure outstanding debt of such issuers, together with investing in the debt securities of corporate issuers located in or organised under the laws of emerging countries. The Fund intends to invest its assets in emerging country debt securities that provide a high level of current income, while at the same time holding the potential for capital appreciation if the perceived creditworthiness of the issuer improves due to improving economic, financial, political, social or other conditions in the country in which the issuer is located.

Such countries include Algeria, Argentina, Brazil, Bulgaria, Chile, China, Colombia, Costa Rica, Czech Republic, Dominican Republic, Ecuador, Egypt, Greece, Hungary, India, Indonesia, Ivory Coast, Jamaica, Jordan, Malaysia, Mexico, Morocco, Nicaragua, Nigeria, Pakistan, Panama, Paraguay, Peru, the Philippines, Poland, Portugal, the Russian Federation, Slovakia, South Africa, Thailand, Trinidad & Tobago, Tunisia, Turkey, Uruguay, Venezuela and the Democratic Republic of Congo, provided that the markets of these countries are considered to be recognised exchanges ("Recognised Exchanges") within the meaning of Article 41(1) of the Law of 20th December 2002 on undertakings for collective investment (as amended). As markets in other countries develop, the Fund expects to expand and further diversify the emerging markets in which it invests. Investment in securities listed on exchanges which are not Recognised Exchanges shall be treated as investments in non-listed securities (see Appendix A – Investment Powers and Restrictions) until such time as such exchanges are deemed to be Recognised Exchanges. The Fund may invest in the securities of companies organised and located in countries other than an emerging market where the value of the company's securities will reflect principally conditions in an emerging country or where the principal securities trading market for which is in an emerging country, or where 50% of the company's revenue alone or on a consolidated basis is derived from either goods produced, sales made or services performed in emerging countries. Emerging market debt securities held by the Fund will take the form of bonds, notes, bills, debentures, convertible securities, bank debt obligations, short-term paper, mortgage and, subject to applicable law, other asset-backed securities, loan participations and loan assignments (to the extent that these instruments are securitised) and interests issued by entities organised and operated for the purpose of restructuring the investment characteristics of instruments issued by emerging market issuers. The Fund may also invest, to a limited extent, in warrants issued by emerging market issuers. With a view to enhancing returns and/or as part of the investment strategy, the Fund may (in accordance with the investment powers and restrictions set out in Appendix A) make use of exchange traded and over-the-counter options, futures and other derivatives for investment or efficient portfolio management (including hedging) purposes.

As the Fund will use financial derivative instruments, investors should refer to "Risk Factors" below for special risk considerations applicable to emerging markets and derivatives.

Profile of the typical investor

In light of the Emerging Markets Debt Fund's investment objective it may be appropriate for investors who:

- Seek to invest in Fixed Income Securities in emerging markets.
- Seek capital appreciation over the long term.
- Seek income whether in the form of capital appreciation or distributions, as outlined in "Dividend Policy".
- Accept the risks associated with this type of investment, as set out in "Risk Factors" below.

EMERGING MARKETS DOMESTIC DEBT FUND

The Emerging Markets Domestic Debt Fund's investment objective is to seek to maximise total return primarily through investment in a portfolio of emerging market bonds and other emerging market debt securities, denominated in the local currency of issue.

The Fund intends to invest its assets in emerging market debt securities that provide a high level of current income, while at the same time holding the potential for capital appreciation.

Emerging markets means low or middle income countries as classified by the World Bank provided that the markets of these countries are considered to be recognised exchanges ("Recognised Exchanges") within the meaning of Article 41(1) of the Law of 20th December 2002 on undertakings for collective investment (as amended). Investment in securities listed on exchanges which are not Recognised Exchanges shall be treated as investments in non-listed securities (see Appendix A – Investment Powers and Restrictions) until such time as such exchanges are deemed to be Recognised Exchanges.

The Fund may invest in debt securities of government and government-related issuers located in emerging markets (including participations in loans between governments and financial institutions) and debt securities of corporate issuers located in or organised under the laws of emerging countries.

To the extent such securities comply with Article 41(1) of the Law of 20th December 2002 on undertakings for collective investment (as amended), the Fund may invest in debt securities of entities organised to restructure outstanding debt of emerging markets issuers.

Emerging market debt securities held by the Fund will take the form of bonds, notes, bills, debentures, convertible securities, bank debt obligations, short-term paper, mortgage and, subject to applicable law, other asset-backed securities, loan participations and loan assignments to the extent that these instruments are securitised. The Fund may also invest, to a limited extent, in warrants on transferable securities issued by issuers in emerging markets.

The Fund may use derivatives for the purpose of efficient portfolio management, hedging and for implementing investment strategies which aim to achieve the Fund's investment objectives. Derivatives that may be used include, but are not limited to, any exchange traded futures (specifically interest rate futures), currency forwards and futures, government bond forwards, interest rate swaps, bond options, currency options, options on swaps (swaptions), credit default swaps and credit linked notes to the extent that such securities comply with Article 41(1) of the Law of 20th December 2002 on undertakings for collective investment (as amended).

Investors should refer to "Risk Factors" below for special risk considerations applicable to emerging markets and derivatives.

The Fund may also invest in certain short term fixed interest securities for tactical or defensive purposes. Such short term investments may include obligations of high income countries as classified by the World Bank, their agencies or instrumentalities, instruments issued by international development agencies, money market instruments, cash or cash equivalents such as commercial paper.

Profile of the typical investor

In light of the Emerging Markets Domestic Debt Fund's investment objective it may be appropriate for investors who:

- Seek to invest in Fixed Income Securities in emerging markets.
- Seek capital appreciation over the long term.
- Seek income whether in the form of capital appreciation or distributions, as outlined in "Dividend Policy".
- Accept the risks associated with this type of investment, as set out in "Risk Factors" below, specifically the risks relating to emerging markets and in particular debt securities denominated in the currency of the countries of investment.

EURO BOND FUND

The Euro Bond Fund's investment objective is to provide an attractive rate of return, measured in Euro, through investment in Euro denominated Fixed Income Securities of high quality issued by governments, agencies and corporations. Securities will be deemed to be high quality if at the time of purchase they are rated either "A-" or better by Standard & Poor's Corporation ("S&P") or "A3" or better by Moody's Investors Service, Inc. ("Moody's"), or similarly rated by another internationally recognised rating service or determined to be of similar creditworthiness by the Investment Adviser. The Fund may continue to invest in such securities that are downgraded after purchase but may not make additional purchases of such securities.

With a view to enhancing returns and/or as part of the investment strategy, the Fund may (in accordance with the investment powers and restrictions set out in Appendix A) make use of exchange traded and over-the-counter options, futures and other derivatives for investment or efficient portfolio management (including hedging) purposes.

As the Fund will use financial derivative instruments, investors should refer to "Risk Factors" below for special risk considerations applicable to derivatives.

Profile of the typical investor

In light of the Euro Bond Fund's investment objective it may be appropriate for investors who:

- Seek to invest in Fixed Income Securities.
- Seek capital appreciation over the long term.
- Seek income whether in the form of capital appreciation or distributions, as outlined in "Dividend Policy".
- Accept the risks associated with this type of investment, as set out in "Risk Factors" below.

EURO CORPORATE BOND FUND

The Euro Corporate Bond Fund's investment objective is to provide an attractive rate of return, measured in Euro, primarily through investment in Euro denominated Fixed Income Securities of high quality issued by corporations and non government related issuers. Securities will be deemed to be high quality if at the time of purchase they are rated either BBB- or better by S&P or Baa3 or better by Moody's or similarly rated by another internationally recognised rating service or determined to be of similar creditworthiness by the Investment Adviser. The Fund may continue to hold investments in such securities that are downgraded after purchase. In addition, the Fund may, on an ancillary basis, invest in securities which at the time of purchase are rated either lower than "BBB-" by S&P or "Baa3" by Moody's or similarly by another internationally recognised rating service or determined to be of similar creditworthiness by the Investment Adviser. Investment in higher yielding securities is speculative as it generally entails increased credit and market risk.

Such securities are subject to the risk of an issuer's inability to meet principal and interest payments on its obligations (credit risk) and may also be subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity. With a view to enhancing returns and/or as part of the investment strategy, the Fund may (in accordance with the investment powers and restrictions set out in Appendix A) make use of exchange traded and over-the-counter options, futures and other derivatives for investment or efficient portfolio management (including hedging) purposes.

As the Fund will use financial derivative instruments, investors should refer to "Risk Factors" below for special risk considerations applicable to derivatives. The Fund may, on an ancillary basis, invest in other Fixed Income Securities and in Fixed Income Securities denominated in currencies other than the Euro. Techniques in accordance with Appendix A – Investment Powers and Restrictions may be used to hedge non Euro exposure back to the Euro.

Profile of the typical investor

In light of the Euro Corporate Bond Fund's investment objective it may be appropriate for investors who:

- Seek to invest in Fixed Income Securities.
- Seek capital appreciation over the long term.
- Seek income whether in the form of capital appreciation or distributions, as outlined in "Dividend Policy".
- Accept the risks associated with this type of investment, as set out in "Risk Factors" below.

EURO GOVERNMENT BOND FUND

The Euro Government Bond Fund's investment objective is to provide an attractive rate of return, measured in Euro, through investment in Euro denominated debt securities (including inflation-linked debt securities) of high quality issued by a permissible issuer. For this purpose, a permissible issuer is (i) a Eurozone government; (ii) a government of a European Union Member State which is outside the Eurozone provided that the non-Eurozone government is rated AA-/Aa3/AA- or better by S&P, Moody's or Fitch respectively, or similarly rated by another internationally recognised rating service; or (iii) the World Bank or the European Investment Bank; or (iv) any issuer which carries an explicit guarantee by one of the Eurozone governments or one of the non-Eurozone governments falling within (ii). The Fund may also place deposits with, and hold money market instruments of, commercial institutions for the purposes of short term cash management, provided that at the time of purchase (i) the amount placed on deposit with, and invested in money market instruments of, such commercial institutions does not exceed 2% of the Fund; and (ii) the commercial institution is rated either "A1" or better by Standard & Poor's Corporation ("S&P") or "P1" or better by Moody's Investors Service, Inc. ("Moody's"), or similarly rated by another internationally recognised rating service or determined to be of similar creditworthiness by the Investment Adviser. The Fund may remain invested in securities that are downgraded after purchase but may not make additional purchases of such securities.

With a view to enhancing returns and/or as part of the investment strategy, the Fund may (in accordance with the investment powers and restrictions set out in Appendix A) make use of exchange traded and over-the-counter options, futures and other derivatives for investment or efficient portfolio management (including hedging) purposes.

As the Fund will use financial derivative instruments, investors should refer to "Risk Factors" below for special risk considerations applicable to derivatives.

Investors should also refer to "Risk Factors" below for special risk considerations applicable to repurchase agreements.

Profile of the typical investor

In light of the Euro Government Bond Fund's investment objective it may be appropriate for investors who:

- Seek to invest in Fixed Income Securities.
- Seek capital appreciation over the long term.
- Seek income whether in the form of capital appreciation or distributions, as outlined in "Dividend Policy".
- Accept the risks associated with this type of investment, as set out in "Risk Factors" below.

EURO SELECT CREDIT FUND

The Euro Select Credit Fund's investment objective is to provide an attractive rate of return, measured in Euro.

The Fund will invest principally in Euro-denominated Fixed Income Securities issued by entities which are deemed to have systemic importance in one or more developed markets. The Fund will invest in investment grade Fixed Income Securities which are issued or guaranteed by Governments, or issued by corporate issuers.

The Fixed Income Securities in which the Fund invests will have varying maturities. The Fund may, on an ancillary basis, invest in Fixed Income Securities which are denominated in currencies other than Euro, as well as cash, cash equivalents and money market funds.

The Fund may invest in securities which at the time of purchase are rated no lower than either "A-" by S&P or "A3" by Moody's or similarly by another internationally recognised rating service or determined to be of similar creditworthiness by the Investment Adviser. The Fund may continue to hold investments in securities that are downgraded to ratings below this level after purchase.

Profile of the typical investor

In light of the Euro Select Credit Fund's investment objective it may be appropriate for investors who:

- Seek to invest in Fixed Income Securities.
- Seek capital appreciation over the long term.
- Seek income whether in the form of capital appreciation or distributions, as outlined in "Dividend Policy".
- Accept the risks associated with this type of investment, as set out in "Risk Factors" below.

EURO STRATEGIC BOND FUND

The Euro Strategic Bond Fund's investment objective is to provide an attractive rate of return, measured in Euro, through market, instrument and currency selection. The Fund consists of Fixed

Income Securities of varying maturities denominated primarily in the Euro and other European currencies which are probable candidates for joining the Economic and Monetary Union at a later date. The Fund may, on an ancillary basis, invest in other Fixed Income Securities denominated in other currencies: including emerging markets Fixed Income Securities. With a view to enhancing returns and/or as part of the investment strategy, the Fund may (in accordance with the investment powers and restrictions set out in Appendix A) make use of exchange traded and over-the-counter options, futures and other derivatives for investment or efficient portfolio management (including hedging) purposes.

As the Fund will use financial derivative instruments, investors should refer to "Risk Factors" below for special risk considerations applicable to emerging markets and derivatives.

The Fund may invest in securities which at the time of purchase are rated either lower than "BBB-" by S&P or "Baa3" by Moody's or similarly by another internationally recognised rating service or determined to be of similar creditworthiness by the Investment Adviser. Investment in higher yielding securities is speculative as it generally entails increased credit and market risk. Such securities are subject to the risk of an issuer's inability to meet principal and interest payments on its obligations (credit risk) and may also be subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity.

Profile of the typical investor

In light of the Euro Strategic Bond Fund's investment objective it may be appropriate for investors who:

- Seek to invest in Fixed Income Securities.
- Seek capital appreciation over the long term.
- Seek income whether in the form of capital appreciation or distributions, as outlined in "Dividend Policy".
- Accept the risks associated with this type of investment, as set out in "Risk Factors" below.

EUROPEAN CURRENCIES HIGH YIELD BOND FUND

The European Currencies High Yield Bond Fund's investment objective is to provide an attractive rate of return, measured in Euro, through investments worldwide primarily in lower rated and unrated Fixed Income Securities issued by governments, agencies and corporations that offer a yield above that generally available on debt securities in the four highest rating categories of S&P or Moody's denominated in European currencies. These investments may include Fixed Income Securities issued by non-European issuers and such securities issued in emerging markets. The Fund may, on an ancillary basis, invest in non-European currency denominated Fixed Income Securities. **Investors should refer to "Risk Factors" below for special risk considerations applicable to emerging markets.** In order to optimise European currency exposure, the Fund may use techniques to hedge the non-European currency exposure back to the Euro and may, on an ancillary basis, use futures contracts to create synthetic European currency high yield Fixed Income Securities within the limits set forth in Appendix A – Investment Powers and Restrictions. **Investors should refer to "Risk Factors" below for special risk considerations applicable to transactions in futures.** Investment in higher yielding securities is speculative as it generally entails increased credit and market risk. Such securities are subject to the risk of an issuer's inability to meet principal and interest payments on its obligations (credit risk) and may also be subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity. In selecting securities, the Fund will consider, among other things, the price of the security and the issuer's financial history, condition, management and prospects. The Fund will endeavour to mitigate the risks associated with high yield securities, by diversifying its holdings by issuer, industry and credit quality.

With a view to enhancing returns and/or as part of the investment strategy, the Fund may (in accordance with the investment powers and restrictions set out in Appendix A) make use of exchange traded and over-the-counter options, futures and other derivatives for investment or efficient portfolio management (including hedging) purposes.

As the Fund will use financial derivative instruments, investors should refer to "Risk Factors" below for special risk considerations applicable to derivatives.

Profile of the typical investor

In light of the European Currencies High Yield Bond Fund's investment objective it may be appropriate for investors who:

- Seek to invest in Fixed Income Securities.
- Seek capital appreciation over the long term.
- Seek income whether in the form of capital appreciation or distributions, as outlined in "Dividend Policy".
- Accept the risks associated with this type of investment, as set out in "Risk Factors" below.

GLOBAL BOND FUND

The Global Bond Fund's investment objective is to provide an attractive rate of return, measured in US Dollars, through market, instrument and currency selection. The Fund consists of domestic, international and Euromarket Fixed Income Securities of varying maturities denominated in US Dollars and other currencies, including emerging markets.

With a view to enhancing returns and/or as part of the investment strategy, the Fund may (in accordance with the investment powers and restrictions set out in Appendix A) make use of exchange traded and over-the-counter options, futures and other derivatives for investment or efficient portfolio management (including hedging) purposes.

As the Fund will use financial derivative instruments, investors should refer to "Risk Factors" below for special risk considerations applicable to emerging markets and derivatives.

Securities will be deemed to be suitable for investment if at the time of purchase they are rated either "BBB-" or better by S&P or "Baa3" or better by Moody's, or similarly rated by another internationally recognised rating service or determined to be of similar creditworthiness by the Investment Adviser. The Fund may continue to hold investments in such securities that are downgraded after purchase. In addition, the Fund may invest, up to 10% of its Net Asset Value, in securities which at the time of purchase are rated either lower than "BBB-" by S&P or "Baa3" by either Moody's or similarly by another internationally recognised rating service or determined to be of similar creditworthiness by the Investment Adviser.

Investment in higher yielding securities is speculative as it generally entails increased credit and market risk. Such securities are subject to the risk of an issuer's inability to meet principal and interest payments on its obligations (credit risk) and may also be subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity.

Profile of the typical investor

In light of the Global Bond Fund's investment objective it may be appropriate for investors who:

- Seek to invest in Fixed Income Securities.
- Seek capital appreciation over the long term.
- Seek income whether in the form of capital appreciation or distributions, as outlined in "Dividend Policy".
- Accept the risks associated with this type of investment, as set out in "Risk Factors" below.

GLOBAL CONVERTIBLE BOND FUND

The Global Convertible Bond Fund's investment objective is to seek long term capital appreciation, measured in US Dollars, through investment primarily in convertible bonds issued by companies organised or operating in either the developed or emerging markets which will be denominated in global currencies.

With a view to enhancing returns and/or as part of the investment strategy, the Fund may (in accordance with the investment powers and restrictions set out in Appendix A) make use of exchange traded and over-the-counter options, futures and other derivatives for investment or efficient portfolio management (including hedging) purposes.

As the Fund will use financial derivative instruments, investors should refer to "Risk Factors" below for special risk considerations applicable to emerging markets and derivatives.

The Fund may, on an ancillary basis, invest in other Fixed Income Securities as well as a combination of equities and warrants on transferable securities either as a result of exercising the conversion option in the convertible bonds in the Fund or as an alternative to convertible bonds when it deems it appropriate.

Profile of the typical investor

In light of the Global Convertible Bond Fund's investment objective it may be appropriate for investors who:

- Seek to invest in Fixed Income Securities.
- Seek capital appreciation over the long term.
- Seek income whether in the form of capital appreciation or distributions, as outlined in "Dividend Policy".
- Accept the risks associated with this type of investment, as set out in "Risk Factors" below.

GLOBAL HIGH YIELD BOND FUND

The Global High Yield Bond Fund's investment objective is to provide an attractive rate of return, measured in US Dollars, through investments worldwide primarily in Fixed Income Securities issued by corporations that are rated lower than "BBB-" by S&P or "Baa3" by Moody's or similarly by another internationally recognised rating service or determined to be of similar creditworthiness by the Investment Adviser. These investments may include Fixed Income Securities issued in emerging markets. **Investors should refer to "Risk Factors" below for special risk considerations applicable to emerging markets.** Investment in higher yielding securities is speculative as it generally entails increased credit and market risk. Such securities are subject to the risk of an issuer's inability to meet principal and interest payments on its obligations (credit risk) and may also be subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity. In selecting securities, the Fund will consider, among other things, the price of the security and the issuer's financial history, condition, management and prospects. The Fund will endeavour to mitigate the risks associated with high yield securities, by diversifying its holdings by issuer, industry, credit quality and geographically.

With a view to enhancing returns and/or as part of the investment strategy, the Fund may (in accordance with the investment powers and restrictions set out in Appendix A) make use of exchange traded and over-the-counter options, futures and other derivatives for investment or efficient portfolio management (including hedging) purposes.

As the Fund will use financial derivative instruments, investors should refer to "Risk Factors" below for special risk considerations applicable to derivatives. The Fund may, on an ancillary basis, invest in other Fixed Income Securities (including securities issued by governments and agencies, and securities which are rated "BBB-" or higher by S&P or "Baa3" or higher by Moody's, or similarly rated by another internationally recognised rating service or determined to be of similar creditworthiness by the Investment Adviser).

Profile of the typical investor

In light of the Global High Yield Bond Fund's investment objective it may be appropriate for investors who:

- Seek to invest in Fixed Income Securities.
- Seek capital appreciation over the long term.
- Seek income whether in the form of capital appreciation or distributions, as outlined in "Dividend Policy".
- Accept the risks associated with this type of investment, as set out in "Risk Factors" below.

SHORT MATURITY EURO BOND FUND

The Short Maturity Euro Bond Fund's investment objective is to provide an attractive rate of return, measured in Euro, through market and instrument selection. This objective will be achieved by investing in high quality Fixed Income Securities denominated in the Euro. The Fund will invest primarily, in order to reduce volatility, in individual securities with maturity dates having a maximum unexpired term of five years. Securities will be deemed to be high quality if at the time of purchase they are rated either "BBB-" or better by S&P or "Baa 3" or better by Moody's, or similarly rated by another internationally recognised rating service or determined to be of similar creditworthiness by the Investment Adviser. The Fund may continue to invest in such securities that are downgraded after purchase but may not make additional purchases of such securities.

With a view to enhancing returns and/or as part of the investment strategy, the Fund may (in accordance with the investment powers and restrictions set out in Appendix A) make use of exchange traded and over-the-counter options, futures and other derivatives for investment or efficient portfolio management (including hedging) purposes.

As the Fund will use financial derivative instruments, investors should refer to "Risk Factors" below for special risk considerations applicable to derivatives.

Profile of the typical investor

In light of the Short Maturity Euro Bond Fund's investment objective it may be appropriate for investors who:

- Seek to invest in Fixed Income Securities.
- Seek capital appreciation over the long term.
- Seek income whether in the form of capital appreciation or distributions, as outlined in "Dividend Policy".
- Accept the risks associated with this type of investment, as set out in "Risk Factors" below.

LIQUIDITY FUNDS

The Liquidity Funds have the following objectives:

EURO GOVERNMENT LIQUIDITY FUND

The Euro Government Liquidity Fund's investment objective is to provide liquidity and an attractive rate of return, measured in Euro, consistent with the preservation of capital.

The Euro Government Liquidity Fund will invest in short-term Euro denominated fixed and floating rate debt securities issued by a permissible issuer.

For this purpose, a permissible issuer is (i) a Eurozone government; (ii) a government of a European Union Member State which is outside the Eurozone; or (iii) any government agency, any local or regional government or equivalent organisation, which in each case carries an explicit guarantee by a Eurozone government or a government of a European Union Member State which is outside the Eurozone.

For securities which are issued by a permissible issuer and which have a long term rating, the Fund is restricted to investing in securities rated A/A2 or higher by S&P or Moody's respectively or similarly rated by another internationally recognised rating service.

For securities which are issued by a permissible issuer and which have a short term rating, the Fund is restricted to investing in securities rated A-1/P1 or higher by S&P or Moody's respectively or similarly rated by another internationally recognised rating service.

The Fund may also invest in unrated securities issued by a permissible issuer provided that the permissible issuer is rated A/A2 or higher by S&P or Moody's respectively or, similarly rated by another internationally recognised rating service.

The Fund's portfolio will have a weighted average maturity that will not exceed 60 days, and a weighted average life that will not exceed 120 days. The Fund will hold only securities which, at the time of their purchase, have an initial or remaining maturity of 397 days or less or securities for which the reference interest rate is adjusted at least every 397 days on the basis of market conditions.

The Fund may also hold cash and cash equivalents on an ancillary basis.

The Fund may remain invested in securities that are downgraded after purchase but may not make additional purchases of such securities.

The Fund will not use derivatives other than as provided below.

The Fund may also, for efficient portfolio management purposes, enter into repurchase agreements (as set out in Appendix A) with highly-rated counterparties. The repurchase agreements will be fully collateralised exclusively by Euro denominated securities issued by (i) a Eurozone government or (ii) a government of a European Union Member State which is outside the Eurozone. The credit quality restrictions set out above will apply to securities held as collateral. Securities issued by a government agency, a local or regional government or equivalent organisation will not be held as collateral under repurchase agreements. The restrictions on maturity set out above will not apply to securities held as collateral.

It is expected, although it cannot be assured, that the Fund's Net Asset Value per Share of Classes AHX, AX, BHX, BX, CHX, CX, IHX, IX, NHX, NX, SX, ZHX and ZX will remain stable at Euro 1.00 through the distribution of dividends.

For the purposes, and within the meaning of the CESR's Guidelines 10-049 dated 19th May 2010 on a common definition of European money market funds, the Fund shall qualify as a Short-Term Money Market Fund.

As the Fund will have short weighted average maturity and weighted average life, the investment in the Fund is expected to carry less risks of loss and potential for return for investors as would otherwise be the case if the Fund would have longer weighted average maturity and weighted average life. The Fund will normally achieve a lower rate of return than the Equity Funds, Bond Funds, Asset Allocation Funds and Alternative Investment Funds over the long-term, but it may offer investors a safer alternative when these forms of investment look vulnerable.

Investors should refer to "Risk Factors" below for special risk considerations applicable to repurchase agreements.

Profile of the typical investor

In light of the Euro Government Liquidity Fund's investment objective it may be appropriate for investors who:

- Seek to invest in a liquidity fund.
- Seek liquidity from their investments.
- Seek income whether in the form of capital appreciation or distributions as outlined in "Dividend Policy".
- Accept the risks associated with this type of investment, as set out in "Risk Factors" below.

EURO LIQUIDITY FUND

The Euro Liquidity Fund's investment objective is to provide liquidity and high current income, to the extent consistent with the preservation of capital, primarily by investing in high quality short-term transferable debt securities that are denominated in Euro, provided that, at the time of acquisition, their initial or residual maturity does not exceed 397 days taking into account any financial instruments connected therewith, or the terms and conditions governing those securities provide that the applicable interest rate is adjusted at least annually on the basis of market conditions. The Fund may, on an ancillary basis, invest in non-Euro denominated debt securities. The Fund may also hold up to 49% of its net assets in cash and cash equivalents, including time deposits in depository institutions and money market instruments having an initial or residual maturity of less than 12 months, taking into account any financial instruments connected to them. The Fund's portfolio will have a weighted average maturity that will not exceed 60 days, and a weighted average life that will not exceed 120 days. It is expected, although it cannot be assured, that the Fund's Net Asset Value per Share of Classes AHX, AX, BHX, BX, CHX, CX, IHX, IX, NHX, NX, SX, ZHX and ZX will remain stable at Euro 1.00, through the distribution of dividends.

For the purposes, and within the meaning of the CESR's Guidelines 10-049 dated 19th May 2010 on a common definition of European money market funds, the Fund shall qualify as a Short-Term Money Market Fund. The Fund does not intend to invest in derivatives and/or any financial instruments other than transferable debt securities, as further detailed above in the description of the investment objective of the Fund.

As the Fund will have short weighted average maturity and weighted average life, the investment in the Fund is expected to carry less risks of loss and potential for return for investors as would otherwise be the case if the Fund would have longer weighted average maturity and weighted average life. The Fund will normally achieve a lower rate of return than the Equity Funds, Bond Funds, Asset Allocation Funds and Alternative Investment Funds over the long-term, but it may offer investors a safer alternative when these forms of investment look vulnerable. Investments made by the Fund in non-Euro denominated debts securities may carry a risk of loss relating to applicable exchange rates.

Investors should refer to "Risk Factors" below for special risk considerations applicable to repurchase agreements and to exchange rates.

Profile of the typical investor

In light of the Euro Liquidity Fund's investment objective it may be appropriate for investors who:

- Seek to invest in a liquidity fund.
- Seek liquidity from their investments.
- Seek income whether in the form of capital appreciation or distributions, as outlined in "Dividend Policy".
- Accept the risks associated with this type of investment, as set out in "Risk Factors" below.

US DOLLAR LIQUIDITY FUND

The US Dollar Liquidity Fund's investment objective is to provide liquidity and high current income, to the extent consistent with the preservation of capital, primarily by investing in high quality short-term transferable debt securities that are denominated in US Dollars, provided that, at the time of acquisition, their initial or residual maturity does not exceed 397 days, taking into account any financial instruments connected therewith, or the terms and conditions governing those securities provide that the interest rate applicable thereto is adjusted at least annually on the basis of market conditions. The Fund may also hold up to 49% of its net assets in cash and cash equivalents, including time deposits in depository institutions and money market instruments having an initial or residual maturity of less than 12 months, taking into account any financial instruments connected therewith. The Fund's portfolio will have a weighted average maturity that will not exceed 60 days, and a weighted average life that will not exceed 120 days. It is expected, although it cannot be assured, that the Fund's Net Asset Value per Share of Classes AHX, AX, BHX, BX, CHX, CX, IHX, IX, NHX, NX, SX, ZHX and ZX will remain stable at $1.00, through the distribution of dividends.

For the purposes, and within the meaning of the CESR's Guidelines 10-049 dated 19th May 2010 on a common definition of European money market funds, the Fund shall qualify as a Short-Term Money Market Fund. The Fund does not intend to invest in derivatives and/or any other financial instruments other than transferable debt securities, as further detailed above in the description of the investment objective of the Fund.

As the Fund will have short weighted average maturity and weighted average life, the investment in the Fund is expected to carry less risks of loss and potential for return for investors as would otherwise be the case if the Fund would have longer weighted average maturity and weighted average life. The Fund will normally achieve a lower rate of return than the Equity Funds, Bond Funds, Asset Allocation Funds and Alternative Investment Funds over the long-term, but it may offer investors a safer alternative when these forms of investment look vulnerable.

Investors should refer to "Risk Factors" below for special risk considerations applicable to repurchase agreements.

Profile of the typical investor

In light of the US Dollar Liquidity Fund's investment objective it may be appropriate for investors who:

- Seek to invest in a liquidity fund.
- Seek liquidity from their investments.
- Seek income whether in the form of capital appreciation or distributions, as outlined in "Dividend Policy".
- Accept the risks associated with this type of investment, as set out in "Risk Factors" below.

ASSET ALLOCATION FUNDS

The following Asset Allocation Fund has the following objective:

DIVERSIFIED ALPHA PLUS FUND

The Diversified Alpha Plus Fund's investment objective is to generate a risk managed return in excess of a composite benchmark comprising: (i) 60% of global equities represented by the MSCI All Country World Index, (ii) 30% of European Fixed Income Securities, represented by the Barclays Capital Euro Aggregate Bond, (iii) 5% of commodities represented by the S&P GSCI™ Light Energy Index, and (iv) 5% cash represented by the Euro OverNight Index Average (EONIA) (the "Composite Benchmark"), net of fees.

In accordance with the requirements of the Luxembourg regulator, the ex-ante Value at Risk (VaR) of the Fund will be limited to 200% of the ex-ante VaR of the Composite Benchmark, as measured by the Investment Adviser's proprietary risk management system. VaR is used to estimate the maximum value of a portfolio that can be lost over any one month period given a probability level of 99% (although this monitoring does not, under any circumstances, guarantee a minimum performance).

The Fund will seek to achieve its investment objective as follows:

i) by taking long and short positions, either directly or (specifically in the case of short positions) through the use of derivatives as described below, in a diversified range of equity and equity related securities of any market capitalisation, Fixed Income Securities and currencies and eligible structured products such as commodity-linked notes the underlying of which are commodity indices and/or sub-indices, the value of which is linked to the value or movement of the returns of a commodity or basket of commodities or commodity derivatives contract, subject to the provisions of Directive EC 2007/16; or

ii) using one or more derivatives to gain exposure to the S&P GSCI™ Light Energy Index, including swaps, forwards, options, and other contingent liability investments whether executed on a recognised exchange or market or traded over-the-counter ("OTC").

The Investment Adviser will use a top-down investment approach that focuses on asset class, sector, region and country selection, as opposed to stock-by-stock selection, and will make such allocation decisions without regard to any particular limit as to geographical location, sector, credit rating, maturity, currency denomination or market capitalisation. Such allocation decisions will be the result of directional views taken by the Investment Adviser taking into account results of its fundamental market research and recommendations generated by its quantitative models.

The Fund's investment strategy will be implemented by using derivatives (in accordance with the investment powers and restrictions set out in Appendix A) such as exchange traded and over-the-counter options, futures, swaps and other derivatives for investment or efficient portfolio management (including hedging) purposes. In addition, the Fund may use exchange-traded funds ("ETFs") to gain exposure to various asset classes. Depending on their structure, the ETFs will either qualify as transferable securities under Article 41(1)(a) or will comply with Article 41(1)(e) of the Law of 20th December 2002 on undertakings for collective investment (as amended), as set out in paragraphs 2.1(a) and 2.1(f) of Appendix A respectively. The Fund may also invest, to a limited extent, in ETFs under Article 41(2)(a) as set out in paragraph 2.2 of Appendix A.

The Fund may also make the following investments or use the following financial instruments:

i) currency spot transactions, currency forward transactions, non-deliverable currency forward transactions and money market funds, the assets of which may be managed by the Investment Adviser or any of its related, associated or affiliated companies; and/or

ii) deposits, fixed or floating rate instruments (including but not limited to commercial paper), floating rate notes, certificates of deposit, debentures, asset backed securities and government or corporate bonds, cash and cash equivalents; and/or

iii) up to 10% of the Fund may be invested in accordance with paragraph 2.2. of Appendix A. In particular, investment may be made in a regulated undertaking for collective investment having exposure to commodities indices.

Investors should refer to "Risk Factors" below for special risk considerations applicable to currency markets, emerging markets, commodities and derivatives.

Profile of the typical investor

In light of the Diversified Alpha Plus Fund's investment objective it may be appropriate for investors who:

- Seek a return over the medium term.
- Seek a balanced investment that focuses on those asset classes the Investment Adviser finds tactically most attractive.
- Seek an investment that includes the use of both long and synthetically short investment strategies.
- Accept the risks associated with this type of investment, as set out in "Risk Factors" below.

EMERGING MARKETS SECURITIES FUND

The Emerging Markets Securities Fund's investment objective is to seek to maximise total return, measured in US Dollars, through investment primarily in emerging country securities – both equity and debt.

Emerging markets means low or middle income countries as classified by the World Bank provided that the markets of these countries comply with the criteria of Article 41(1) a), b) or c) of the Law of 20th December 2002 on undertakings for collective investment (as amended) ("Recognised Exchanges"). Investment in securities listed on exchanges which are not Recognised Exchanges shall be treated as investments in non-listed securities (see Appendix A – Investment Powers and Restrictions) until such time as such exchanges are deemed to be Recognised Exchanges.

As markets in other countries develop, the Fund expects to expand and further diversify the emerging markets in which it invests. The Fund may invest in the securities of companies organised and located in countries other than emerging market countries where the value of the company's securities will reflect principally conditions in an emerging country, or where the principal securities trading market for which is in an emerging country, or where 50% of the company's revenue alone or on a consolidated basis is derived from either goods produced, sales made or services performed in emerging countries.

The Fund intends to invest its assets in emerging market debt securities that provide a high level of current income, while at the same time holding the potential for capital appreciation. The Fund will invest in emerging market equity securities in those emerging market countries in which the Investment Adviser believes that economies are developing strongly and in which the markets are becoming more sophisticated.

The Investment Adviser will allocate between equity and debt (both debt denominated in US Dollars and debt denominated in the local currency of issue) as a result of its directional view of the markets, based on fundamental research and asset valuation models.

The Fund may invest in debt securities of government and government-related issuers located in emerging markets (including participations in loans between governments and financial institutions) and debt securities of corporate issuers located in or organised under the laws of emerging countries.

To the extent such securities comply with Article 41(1) of the Law of 20th December 2002 on undertakings for collective investment (as amended), the Fund may invest in debt securities of entities organised to restructure outstanding debt of emerging markets issuers.

For temporary defensive purposes, during periods in which the Investment Adviser believes changes in economic, financial or political conditions make it advisable, the Fund may reduce its holdings in emerging country securities to below 50% of the Fund's assets and invest in other equity or debt securities.

Emerging market debt securities held by the Fund will take the form of bonds, notes, bills, debentures, convertible securities, bank debt obligations, short-term paper, mortgage and, subject to applicable law, other asset-backed securities, loan participations and loan assignments to the extent that these instruments are securitised. The Fund may also invest, to a limited extent, in warrants on transferable securities issued by issuers in emerging markets.

The Fund may use derivatives for the purpose of efficient portfolio management, hedging and for implementing investment strategies which aim to achieve the Fund's investment objectives. Derivatives that may be used include, but are not limited to, any exchange traded futures (specifically interest rate futures), currency forwards and futures, government bond forwards, interest rate swaps, bond options, currency options, options on swaps (swaptions), credit default swaps and credit linked notes to the extent that such securities comply with Article 41(1) of the Law of 20th December 2002 on undertakings for collective investment (as amended).

Investors should refer to "Risk Factors" below for special risk considerations applicable to emerging markets and derivatives.

Profile of the typical investor

In light of the Emerging Markets Securities Fund's investment objective it may be appropriate for investors who:

- Seek capital appreciation over the long term.
- Seek a balanced investment that will allocate between equity and debt securities to the extent that the Investment Adviser deems most attractive.
- Seek income whether in the form of capital appreciation or distributions, as outlined in "Dividend Policy".
- Accept the risks associated with this type of investment, as set out in the "Risk Factors" below.

ALTERNATIVE INVESTMENT FUNDS

The various Alternative Investment Funds have the following objectives:

ABSOLUTE RETURN CURRENCY FUND

The Absolute Return Currency Fund's investment objective is to seek to generate a risk managed return, measured in Euros, that has a low level of correlation to other asset classes by investing in currency pairs. The Investment Adviser's investment selection process is a discretionary strategy that combines views generated by fundamental macroeconomic and market research, and synthesizes them with recommendations generated by quantitative decision-support models.

The Absolute Return Currency Fund seeks to outperform the Euro OverNight Index Average (EONIA) by an amount proportional to estimated ex-ante Value at Risk (VaR) of the Fund over a 1-2 year period. In accordance with the requirements of the Luxembourg regulator (the "CSSF"), the ex-ante Value at Risk (VaR) of the Fund will be limited to 20%, as measured by the Investment Adviser's proprietary risk management system. Except under exceptional market conditions, the Investment Adviser will maintain a VaR significantly below 20%, although the absolute level will vary over time, subject to the Investment Adviser's assessment of the risks and rewards of available investment opportunities. The VaR is used to estimate the maximum value of a portfolio that can be lost over any one-month period given a probability level of 99% (although this monitoring does not, under any circumstances, guarantee a minimum performance).

The Fund will seek to achieve its investment objective through investing in money market funds which may be managed by the Investment Adviser or any of its related, associated or affiliated companies combined with the use of currency spot transactions, currency forward transactions and non-deliverable currency forward transactions.

A currency forward is a form of over the counter derivative that obliges one party to purchase a currency from another party at a fixed future date for a price and currency specified in the terms of the contract. Currency forwards may be used to increase or reduce exposure to currency price movements. Non-deliverable forwards are used to gain exposure to foreign currencies which are not internationally traded and do not have a forward market for non-domestic investors. All currency forwards, including non-deliverable forwards, will be cash settled in dollars. The Fund may take positions in currencies representing either a long or short exposure to the currency with respect to the Fund's Base Currency. The Fund will also enter into spot currency contracts, which are similar to forward contracts, but generally provide for settlement on a cash basis within two days of the contract.

The Fund may also invest in bank deposits, fixed or floating rate instruments (including but not limited to commercial paper), floating rate notes, certificates of deposit, freely transferable promissory notes, debentures, asset backed securities and government or corporate bonds, cash and cash equivalents.

With a view to enhancing returns and/or as part of the investment strategy, the Fund may (in accordance with the investment powers and restrictions set out in Appendix A) make use of exchange traded and over-the-counter options, futures, swaps and other derivatives for investment or efficient portfolio management (including hedging) purposes. The Investment Adviser may also make limited use of derivatives on global interest rates, to the extent that these positions supplement views generated by the Investment Adviser's currency investment process. The Company may hypothecate, mortgage, charge or pledge the Fund's investments whether outright or as collateral security for any debt liability or obligation for the purpose of entering into repurchase agreements and securities lending transactions and for posting collateral in support of derivative transactions.

Investors should refer to "Risk Factors" below for special risk considerations applicable to currency markets, emerging markets and, as the Fund will use financial derivative instruments, derivatives.

Investors should also refer to "Risk Factors" below for special risk considerations applicable to repurchase agreements and securities lending transactions.

Profile of the typical investor

In light of the Absolute Return Currency Fund's investment objective it may be appropriate for investors who:

- Seek a return over the medium term.
- Seek an alternative asset class which has a low correlation to equities and bonds.
- Seek a risk-managed investment strategy that combines the results of fundamental macroeconomic and market research with recommendations generated by quantitative decision-support models.
- Accept the risks associated with this type of investment, as set out in "Risk Factors" below.

1.3 List of Sophisticated Funds

The following Funds are sophisticated for the purpose of the UCITS III regulations applicable to the Company.

Absolute Return Currency Fund
Emerging Markets Corporate Debt Fund
Emerging Markets Debt Fund
Euro Bond Fund
Emerging Markets Domestic Debt Fund
Euro Corporate Bond Fund
Euro Government Bond Fund
Euro Strategic Bond Fund
European Currencies High Yield Bond Fund
Global Bond Fund
Global High Yield Bond Fund
Short Maturity Euro Bond Fund
Diversified Alpha Plus Fund
Emerging Markets Securities Fund

Classification of these Funds as sophisticated is made by the Directors based upon a consideration of the following factors:

i) whether the Funds are authorised to use derivatives and financial techniques and instruments as an important part of their investment strategies – this will not automatically make a Fund sophisticated;

ii) whether the Funds are making use of more complex derivative strategies or instruments; and/or

iii) whether the Fund has elected to calculate its global exposure and/or market risk with reference to the limits and calculation methodologies applicable to sophisticated funds.

Classification of a Fund will depend on a consideration of each of these factors and the fact that a Fund is authorised to use derivative instruments for investment purposes will not automatically, in isolation, make a Fund sophisticated.

The Company has implemented a risk management process in relation to each Fund, depending on whether it has been classified as either sophisticated or non-sophisticated, in order to comply with its obligations under the Law of 20th December 2002 on undertakings for collective investment (as amended) and CSSF Circular 07/308. The classification of a Fund as non-sophisticated is not an indication of its risk profile.

1.4 Risk Factors

The price of the Shares can go down as well as up. An investor may not get back the amount he has invested, particularly if Shares are redeemed soon after they are issued and the Shares have been subject to a Sales Charge or transaction charge.

EXCHANGE RATES

Many of the Funds are invested in securities denominated in a number of different currencies other than the Reference Currency in which the Funds are denominated; changes in foreign currency exchange rates will affect the value of Shares held in such Funds.

Many emerging countries have experienced substantial currency devaluations relative to the currencies of more developed countries. Derivatives may be used to reduce this risk. The Company may in its discretion choose not to hedge against currency risk. In addition, certain market conditions may make it impossible or uneconomical to hedge against currency risk.

INTEREST RATES

The values of Fixed Income Securities held by the Funds generally will vary inversely with changes in interest rates and such variation may affect Share prices accordingly.

REAL ESTATE INDUSTRY

There are special risk considerations associated with investing in the securities of companies principally engaged in the real estate industry. These risks include: 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 zoning 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 Fund's investments.

INFRASTRUCTURE

There are special risk considerations associated with investing in the securities of companies principally engaged in the infrastructure industry. Infrastructure-related companies 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 with and 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.

Additionally, infrastructure-related entities may be subject to regulation by various governmental authorities and may also be affected by governmental regulation of rates charged to customers, government budgetary constraints, service interruption due to environmental, operational or other mishaps and the imposition of special tariffs and changes in tax laws, regulatory policies and accounting standards. Other factors that may affect the operations of infrastructure-related companies include innovations in technology that could render the way in which a company delivers a product or service obsolete, significant changes to the number of ultimate end-users of a company's products, increased susceptibility to terrorist acts or political actions, risks of environmental damage due to a company's operations or an accident, and general changes in market sentiment towards infrastructure and utilities assets.

In the event that any of the risks associated with the infrastructure industry materialise, the value of securities issued by companies engaged in the infrastructure business may decline. To the extent that a Fund is invested in such securities, this may result in a corresponding decline in the net asset value per share of that Fund, potentially uncorrelated to the rest of the equity market.

EMERGING MARKETS

In certain countries, there is the possibility of expropriation of assets, confiscatory taxation, political or social instability or diplomatic developments which could affect investment in those countries. There may be less publicly available information about certain financial instruments than some investors would find customary and entities in some countries may not be subject to accounting, auditing and financial reporting standards and requirements comparable to those to which certain investors may be accustomed. Certain financial markets, while generally growing in volume, have, for the most part, substantially less volume than more developed markets, and securities of many companies may be less liquid and their prices more volatile than securities of comparable companies in more sizeable markets. There are also varying levels of government supervision and regulation of exchanges, financial institutions and issuers in various countries. In addition, the manner in which foreign investors may invest in securities in certain countries, as well as limitations on such investments, may affect the investment operations of certain of the Funds.

Emerging country debt will be subject to high risk and will not be required to meet a minimum rating standard and may not be rated for creditworthiness by any internationally recognised credit rating organisation. The issuer or governmental authority that controls the repayment of an emerging country's debt may not be able or willing to repay the principal and/or interest when due in accordance with the terms of such debt. As a result of the foregoing, a government obligor may default on its obligations. If such an event occurs, the Company may have limited legal recourse against the issuer and/or guarantor. Remedies must, in some cases, be pursued in the courts of the defaulting party itself, and the ability of the holder of foreign government debt securities to obtain recourse may be subject to the political climate in the relevant country.

In addition, no assurance can be given that the holders of commercial debt will not contest payments to the holders of other foreign government debt obligations in the event of default under their commercial bank loan agreements.

Settlement systems in emerging markets may be less well organised than in developed markets. Thus there may be a risk that settlement may be delayed and that cash or securities of the Funds may be in jeopardy because of failures of or defects in the systems. In particular, market practice may require that payment shall be made prior to receipt of the security which is being purchased, or that delivery of a security must be made before payment is received. In such cases, default by a broker or bank (the "Counterparty") through whom the relevant transaction is effected might result in a loss being suffered by Funds investing in emerging market securities.

The Company will seek, where possible, to use Counterparties whose financial status is such that this risk is reduced. However, there can be no certainty that the Company will be successful in eliminating this risk for the Funds, particularly as Counterparties operating in emerging markets frequently lack the substance or financial resources of those in developed countries.

There may also be a danger that, because of uncertainties in the operation of settlement systems in individual markets, competing claims may arise in respect of securities held by or to be transferred to the Funds. Furthermore, compensation schemes may be non-existent or limited or inadequate to meet the Company's claims in any of these events.

Investments in the Russian Federation are subject to certain heightened risks with regard to the ownership and custody of securities. In these countries this is evidenced by entries in the books of a company or its registrar (which is neither an agent nor responsible to the Custodian). No certificates representing ownership of such companies will be held by the Custodian or any of its local correspondents or in an effective central depository system. As a result of this system and the lack of effective state regulation and enforcement, the Company could lose its registration and ownership of such securities through fraud, negligence or even mere oversight. However, in recognition of such risks, the relevant correspondent to the Custodian follows increased "due diligence" procedures. The correspondent has entered into agreements with company registrars and will only permit investment in those companies that have adequate registrar procedures in place. In addition, the settlement risk is minimised as the correspondent will not release cash until registrar extracts have been received and checked. In addition, debt securities in these countries have an increased custodial risk associated with them as such securities are, in accordance with market practice, held in custody with institutions which may not have adequate insurance coverage to cover loss due to theft, destruction or default whilst such assets are in its custody.

Other risks could include, by way of example, controls on foreign investment and limitations on the repatriation of capital and the exchange of local currencies for US$, the impact on the economy as a result of religious or ethnic unrest.

In addition investments in India may be subject to the withdrawal or non-renewal of the Investment Adviser's Foreign Institutional Investor licence.

DEPOSITARY RECEIPTS

Depositary receipts (ADRs, GDRs and EDRs) are instruments that represent shares in companies trading outside the markets in which the depositary receipts are traded. Accordingly whilst the depositary receipts are traded on Recognised Exchanges, there may be other risks associated with such instruments to consider – for example the shares underlying the instruments may be subject to political, inflationary, exchange rate or custody risks.

NON-INVESTMENT GRADE SECURITIES

Certain Funds may invest in Fixed Income Securities rated below investment grade. Such securities may have greater price volatility and greater risk of loss of principal and interest than more highly rated securities.

USE OF DERIVATIVES

While the prudent use of derivatives may be beneficial, derivatives also involve risks different from, and, in certain cases, greater than, the risks presented by more traditional investments. If so provided in its investment policy, a Fund may engage various investment strategies with a view to reducing certain of its risks and/or enhancing return. These strategies may include the use of derivative instruments such as options, warrants, swaps and/or futures. Such strategies may be unsuccessful and incur losses for the Fund.

Pursuant to the UCITS III regulations applicable to the Company, the overall risk exposure arising from financial derivative instruments used by a Fund may be equal to the net asset value of that Fund, and hence that Fund's overall risk exposure may reach 200% of its net asset value.

The overall risk exposure of a Fund may not be increased by more than 10% by means of temporary borrowing, so that a Fund's overall risk exposure may not exceed 210% of its net asset value.

Derivatives also involve specific risks. These risks relate specifically to market risks, management risk, counterparty risk, liquidity risk, the risk of mispricing or improper valuation of derivatives and the risk that derivatives may not correlate perfectly with underlying assets, interest rates and indices.

The following is a general discussion of important risk factors and issues concerning the use of derivatives that investors should understand before investing in a Fund.

Market Risk
This is a general risk that applies to all investments, including derivatives, meaning that the value of a particular derivative may go down as well as up in response to changes in market factors. A Fund may also use derivatives to short exposure to some investments. Should the value of such investments increase rather than fall, the use of derivatives for shorting purposes will have a negative effect on the Fund's value and in extreme market conditions may, theoretically, give rise to unlimited losses for the Fund.

Should such extreme market conditions occur, investors could, in certain circumstances, therefore face minimal or no returns, or may even suffer a loss on their investment in that particular Fund.

Liquidity Risk
Liquidity risk exists when a particular instrument is difficult to purchase or sell. If a derivative transaction is particularly large or if the relevant market is illiquid, it may not be possible to initiate a transaction or liquidate a position at an advantageous price (however, the Company will only enter into OTC derivatives if it is allowed to liquidate such transactions at any time at fair value).

Counterparty Risk
The Funds may enter into transactions in OTC markets, which will expose the Funds to the credit of its counterparties and their ability to satisfy the terms of such contracts. In the event of a bankruptcy or insolvency of a counterparty, the Funds could experience delays in liquidating the position and significant losses, including declines in the value of its investment during the period in which the Company seeks to enforce its rights, inability to realise any gains on its investment during such period and fees and expenses incurred in enforcing its rights. There is also a possibility that the above agreements and derivative techniques may be terminated due, for instance, to bankruptcy, supervening illegality or change in the tax or accounting laws relative to those at the time the agreement was originated. However this risk is limited in view of the investment restrictions laid down in section 3 – "Derivatives and Financial Techniques and Instruments" of Appendix A – Investment Powers and Restrictions.

Other Risks
Other risks in using derivatives include the risk of differing valuations of derivatives arising out of different permitted valuation methods and the inability of derivatives to correlate perfectly with underlying securities, rates and indices. Many derivatives, in particular OTC derivatives, are complex and often valued subjectively and the valuation can only be provided by a limited number of market professionals who often are acting as counterparties to the transaction to be valued. The Company will seek to obtain independent valuations for OTC derivatives in order to limit this risk.

Derivatives do not always perfectly or even highly correlate to or track the value of the securities, rates or indices they are designed to track. Consequently, a Fund's use of derivative techniques may not always be an effective means of following a Fund's investment objective.

Risks associated with OTC Derivatives
An OTC derivative is a derivative instrument which is not listed and traded on a formal exchange such as FTSE or NYSE but is traded by counterparties who negotiate directly with one another over computer networks and by telephone. The counterparty risk on any transaction involving OTC derivative instruments may not exceed 10% of the assets of a Fund when the counterparty is a credit institution domiciled in the EU or in a country where the CSSF considers that supervisory regulations are equivalent to those prevailing in the EU. This limit is set at 5% in any other case.

The Company ensures through its service providers that appropriate risk monitoring is in place for any OTC transactions.

Risks associated with the Control and Monitoring of Derivatives
Derivative products are highly specialised instruments that require investment techniques and risk analysis different from those associated with equity and Fixed Income Securities. The use of derivative techniques requires an understanding not only of the underlying assets of the derivative but also of the derivative itself, without the benefit of observing the performance of the derivative under all possible market conditions.

In particular, the use and complexity of derivatives require the maintenance of adequate controls to monitor the transactions entered into, the ability to assess the risk that a derivative adds to a Fund and the ability to forecast the relative price, interest rate or currency rate movements correctly.

There is no guarantee that a particular forecast will be correct or that an investment strategy which deploys derivatives will be successful.

WARRANTS

Certain Funds may invest in equity linked securities or equity linked instruments such as warrants. The gearing effect of investment in warrants and the volatility of warrant prices make the risk attached to the investment in warrants higher than in the case with investment in equities.

COMMODITY FUTURES

Commodity futures markets are highly volatile. Commodity markets are influenced by, among other things, changing supply and demand relationships, weather, governmental, agricultural, commercial and trade programmes and policies designed to influence commodity prices, world political and economic events, and changes in interest rates. Futures positions may be illiquid because certain commodity exchanges limit fluctuations in certain futures contract prices during a single day by regulations referred to as "daily price fluctuation limits" or "daily limits". Under such daily limits, during a single trading day no trades may be executed at prices beyond the daily limits. Once the price of a contract for a particular future has increased or decreased by an amount equal to the daily limit, positions in the future can neither be taken nor liquidated unless traders are willing to effect trades at or within the limit.

REPURCHASE AGREEMENTS

A Fund may enter into repurchase agreements subject to the conditions and limits set out in the CSSF Circular 08/356. If the other party to a repurchase agreement should default, the Fund might suffer a loss to the extent that the proceeds from the sale of the underlying securities and other collateral held by the Fund in connection with the repurchase agreement are less than the repurchase price. In addition, in the event of bankruptcy or similar proceedings of the other party to the repurchase agreement or its failure to repurchase the securities as agreed, the Fund could suffer losses, including loss of interest on or principal of the security and costs associated with delay and enforcement of the repurchase agreement.

SECURITIES LENDING TRANSACTIONS

A Fund may enter into securities lending transactions subject to the conditions and limits set out in the CSSF Circular 08/356. If the other party to a securities lending transaction should default, the Fund might suffer a loss to the extent that the proceeds from the sale of the collateral held by the Fund in connection with the securities lending transaction are less than the value of the securities lent. In addition, in the event of the bankruptcy or similar proceedings of the other party to the securities lending transaction or its failure to return the securities as agreed, the Fund could suffer losses, including loss of interest on or principal of the securities and costs associated with delay and enforcement of the securities lending agreement.

CURRENCY HEDGED SHARE CLASSES

The Directors may decide from time to time for some or all of the Funds to issue Currency Hedged Share Classes.

Currency Hedged Share Classes utilise hedging strategies to seek to limit exposure to currency movements between a Fund's Reference Currency, Investment Currencies or Index Currencies and the currency the Currency Hedged Share Class is denominated in.

Such hedging strategies used by the Investment Adviser (or any agent appointed by the Investment Adviser) may not completely eliminate exposure to such currency movements. There can be no guarantee that hedging strategies will be successful. Mismatches may result between a Fund's currency position and the Currency Hedged Share Classes issued for that Fund.

The use of hedging strategies may substantially limit Currency Hedged Share Class shareholders from benefiting if the currency of the Currency Hedged Share Class falls against a Fund's Reference Currency, Investment Currencies or Index Currencies. The costs of hedging and all gains/losses from hedging transactions are borne separately by the shareholders of the respective Currency Hedged Share Classes. Holders of Share Classes of the Absolute Return Currency Fund denominated in currencies other than Euros should note that there is a possibility that the costs associated with the currency hedging and the gains or losses from the hedging transactions may mean that the returns generated by the Funds and delivered to the holders of such Share Classes may be diminished.

Investors should also note that the hedging of Currency Hedged Share Classes is distinct from any hedging strategies that the Investment Adviser may implement at the Fund level.

DURATION HEDGED SHARE CLASSES

Duration Hedged Share Classes utilise hedging strategies to seek to limit a share class' exposure to interest rate movements.

Such hedging strategies used by the Investment Adviser (or any agent appointed by the Investment Adviser) may not completely eliminate exposure to such interest rate movements. There can be no guarantee that hedging strategies will be successful. Mismatches may result between the duration positions of a Fund and the Duration Hedged Share Classes issued for that Fund.

The use of hedging strategies may substantially limit Duration Hedged Share Class shareholders from benefiting if interest rates fall. The costs of hedging and all gains/losses from hedging transactions are borne separately by the shareholders of the respective Duration Hedged Share Classes.

Investors should also note that the hedging of Duration Hedged Share Classes is distinct from any hedging strategies that the Investment Adviser may implement at the Fund level.

For the time being, only the Emerging Markets Corporate Debt Fund, the Euro Corporate Bond Fund, the Euro Strategic Bond Fund and the European Currencies High Yield Bond Fund offer Duration Hedged Share Classes. The Directors may however decide from time to time for some other or all of the Bond Funds to issue Duration Hedged Share Classes, in which case this Prospectus will be amended accordingly, at the occasion of the next Prospectus update.

TAXATION RISKS IN RELATION TO THE SUBSIDIARY

Please refer to the description in the section headed "Taxation of the Subsidiary".

FOREIGN ACCOUNT TAX COMPLIANCE

The Foreign Account Tax Compliance provisions of the recently enacted Hiring Incentives to Restore Employment Act ("HIRE") generally impose a new reporting and 30% withholding tax regime with respect to certain US source income (including dividends and interest) and gross proceeds from the sale or other disposal of property that can produce US source interest or dividends ("Withholdable Payments"). As a general matter, the new rules are designed to require US persons' direct and indirect ownership of non-US accounts and non-US entities to be reported to the Internal Revenue Service ("IRS"). The 30% withholding tax regime applies if there is a failure to provide required information regarding US ownership. The new withholding rules generally apply to Withholdable Payments made after 31st December 2012.

The new rules will subject the Withholdable Payments received by any Fund to 30% withholding tax unless it provides information, representations and waivers of non-US law as may be required to comply with the provisions of the new rules, including, information regarding its direct and indirect US owners. Furthermore, non-US financial entities that do not enter into agreements with the IRS to disclose their direct and indirect US owners and other non-US owners that do not provide certifications or information regarding their US ownership may be subject to such withholding on their share of Withholdable Payments even if the Fund has entered into the necessary agreements with the IRS. Comprehensive guidance has not yet been issued by the IRS with respect to this legislation.

As described in Section 2.2 "Issue of Shares" the Directors have resolved to prevent the ownership of Shares by any US Person (as defined pursuant to Regulation S under the US Securities Act of 1933, as amended). However, in the event that a US person (within the meaning of the Foreign Account Tax Compliance provisions) inadvertently became a direct or indirect Shareholder in the Company, there is a risk that any Fund in which such accountholder is invested may become subject to make the withholding tax payments described above. The Directors have therefore also resolved to prevent the ownership of Shares by any "specified United States person" or "United States owned foreign entity" as defined within HIRE.

Each prospective investor should consult its own tax advisers regarding the requirements under HIRE with respect to its own situation.

Section 2
2.1 Share Class Description

	Target audience	Minimum Initial Subscription per Fund:	Minimum Holding:**	Minimum Subsequent Subscription:
Classes A, A1[9], AD, ADX, AH, AHX, AO, AOX and AX	Retail investors	N/A	N/A	N/A
Classes B, B1[10], BD, BDX, BH, BHX, BO, BOX and BX	Retail investors	N/A	N/A	N/A
Classes C, CD, CH, CHX, CO, COX and CX	Retail investors – availability at the discretion of the Distributor and its affiliates	N/A	N/A	N/A
Classes I[11], I1[12], ID, IH, IHX, IO, IOX and IX	High net worth individuals or institutions who are not institutional investors according to Article 129 of the law of 20th December 2002 on undertakings for collective investment (as amended)	500,000	500,000	50,000
Classes N, ND, NH, NHX, NO, NOX and NX	The Distributor and its affiliates (whether for themselves or on behalf of clients) or, at the discretion of the Distributor and its affiliates, their clients who qualify as "institutional investors" according to Article 129 of the law of 20th December 2002 on undertakings for collective investment (as amended)	100,000	100,000	10,000
Classes S, SD, SO, SOX and SX	Investors who qualify as "institutional investors" according to Article 129 of the Luxembourg law of 20th December 2002 on undertakings for collective investment (as amended), as selected by the Distributor, and who invest at least USD20,000,000	20,000,000	20,000,000	N/A
Classes Z, Z1[13], ZD, ZH, ZHX, ZO, ZOX and ZX	Institutional investors according to Article 129 of the law of 20th December 2002 on undertakings for collective investment (as amended)	N/A	N/A	N/A

* these amounts may be in US Dollars (or the Euro, Yen or Sterling equivalent of the US Dollar amount). These minima may be waived or varied, in any particular case or generally, at the Directors' discretion or in accordance with the authority conferred by the Directors on the Dirigeants.

** if the net asset value of an investor's holding of a class of Shares falls below the Minimum Holding amount shown above, the Company may, upon providing such investor with one month's written notice, elect to either compulsorily redeem their holding or convert their holding into another share class.

Within each Share Class of a Fund, the Company may create different sub-classes, distinguished by their distribution policy (Share Classes which pay a dividend are suffixed with an "X"), their currency hedging (Share Classes which undertake currency hedging are suffixed with an "H"), their duration hedging (Share Classes which undertake duration hedging are suffixed with a "D") and/or by any other criteria decided by the Board. Share Classes may undertake both currency and duration hedging and will be suffixed with an "O", as follows: AO, AOX, BO, BOX, CO, COX, IO, IOX, NO, NOX, SO, SOX, ZO and ZOX.

Not all Share Classes may be available in all Funds. The current Application Form states the Share Classes which are available for each Fund. Details on the available Share Classes can also be obtained from the Distributor and at the Company's registered office.

Restrictions apply to the purchase of C, I, N, S and Z Shares. First time applicants should contact the Distributor before submitting an Application Form for these Share Classes.

CURRENCY HEDGED SHARE CLASSES

The Directors may decide from time to time for some or all of the Funds to issue Currency Hedged Share Classes. Currency Hedged Share Classes can be issued in relation to any type of available Share Class and is indicated by an "H" after the Share Class indicator, as follows: AH, AHX, BH, BHX, CH, CHX, IH, IHX, NH, NHX, ZH and/or ZHX.

Currency Hedged Share Classes seek to reduce the currency exposure of the Shareholder to currencies other than the currency in which the Currency Hedged Share Class is denominated (the "Hedged Share Class Currency"). The Investment Adviser will decide on the most appropriate hedging strategies for each Fund and a Fund-by-Fund summary is available from the registered office of the Company and is included in the Company's Annual and Semi-Annual Reports.

[9] Share Class A1 is only available in the Absolute Return Currency Fund.

[10] Share Class B1 is only available in the Absolute Return Currency Fund.

[11] Share Class I in the Absolute Return Currency Fund is not available to subscriptions to first time applicants of the Company, to subscriptions from existing Shareholders of the Absolute Return Currency Fund and to conversions.

[12] Share Class I1 is only available in the Absolute Return Currency Fund.

[13] As from the date of this Prospectus, Share Class Z1 of the Absolute Return Currency Fund will be reclassified as Share Class Z.

NAV Hedged Share Classes
NAV Hedged Share Classes utilise hedging strategies that seek to reduce exposure to currency movements between the Hedged Share Class Currency and the Fund's Reference Currency. This involves hedging the Fund's Reference Currency to the Hedged Share Class Currency generally without reference to the currencies represented in the Fund's underlying investment portfolio (the "Investment Currencies").

This type of hedging will generally be adopted where the Fund's Investment Currencies are predominantly in line with its Reference Currency.

Portfolio Hedged Share Classes
Portfolio Hedged Share Classes utilise hedging strategies that seek to reduce exposure to currency movements between the Hedged Share Class Currency and the Fund's Investment Currencies. This involves hedging the Fund's Investment Currencies back to the Hedged Share Class Currency without reference to its Reference Currency.

This type of hedging will generally be adopted for Funds with multiple Investment Currencies where there are no predominant Investment Currencies and where the Investment Adviser does not use currency selection as an active part of the investment process.

Index Hedged Share Classes
Index Hedged Share Classes utilise hedging strategies that seek to reduce exposure to currency movements between the Hedged Share Class Currency and the currencies of a Fund's benchmark index ("Index Currencies"). This involves hedging the Fund's Index Currencies back to the Hedged Share Class Currency without reference to the Fund's Reference Currency or its Investment Currency.

This type of hedging will generally be adopted for Funds with multiple Investment Currencies where there is no predominant Investment Currency, and where the Investment Adviser uses currency selection as an active part of the investment process. The hedging of benchmark currency weights is intended to reduce exposure to the Fund's passive currency positions whilst preserving the active currency positions in the portfolio.

DURATION HEDGED SHARE CLASSES

For the time being, only the Emerging Markets Corporate Debt Fund, Euro Corporate Bond Fund, Euro Strategic Bond Fund and the European Currencies High Yield Bond Fund offer Duration Hedged Share Classes. The Directors may however decide from time to time for some other or all of the Bond Funds to issue Duration Hedged Share Classes, in which case this Prospectus will be amended accordingly, at the occasion of the next Prospectus update. Duration Hedged Share Classes can be issued in relation to any type of available Share Class and is indicated by a "D" after the Share Class indicator, as follows: AD, ADX, BD, BDX, CD, ID, ND, SD and/or ZD.

Duration Hedged Share Classes utilise hedging strategies that seek to reduce exposure to interest rate movements. This involves hedging the duration of the Share Class so that it has an effective duration close to zero, as opposed to the Fund's actual duration or the duration of the Fund's targeted benchmark.

SALES CHARGE

	Sales Charge:				
	Bond Funds (excluding Emerging Markets Debt Fund and Emerging Markets Domestic Debt Fund)	**Equity Funds (including Emerging Markets Debt Fund and Emerging Markets Domestic Debt Fund)**	**Asset Allocation Funds**	**Liquidity Funds**	**Alternative Investment Funds**
Classes S, SD, SO, SOX and SX	0.00%	0.00%	0.00%	0.00%	0.00%
Classes Z, Z1, ZD, ZH, ZHX, ZO, ZOX and ZX	Up to 1.00%	Up to 1.00%	Up to 1.00%	Up to 1.00%	Up to 1.00%
Classes I, I1, ID, IH, IHX, IO, IOX and IX	Up to 3.00%	Up to 3.00%	Up to 3.00%	Up to 3.00%	Up to 3.00%
Classes A, A1, AD, ADX, AH, AHX, AO, AOX and AX	Up to 4.00%	Up to 5.75%	Up to 5.75%	0.00%	Up to 5.75%
Classes B, B1, BD, BDX, BH, BHX, BO, BOX and BX	0.00%	0.00%	0.00%	0.00%	0.00%
Classes C, CD, CH, CHX, CO, COX and CX	0.00%	0.00%	0.00%	0.00%	0.00%
Classes N, ND, NH, NHX, NO, NOX and NX	0.00%	0.00%	0.00%	0.00%	0.00%

The Sales Charge shall revert to the Distributor or to the relevant distributor through which the initial purchase was made. If in any country in which the Classes A, A1, AD, ADX, AH, AHX, AO, AOX, AX, I, I1, ID, IH, IHX, IO, IOX, IX, Z, Z1, ZD, ZH, ZHX, ZO, ZOX or ZX Shares are offered, local law or practice requires or permits a lower initial Sales Charge than that listed above for any individual purchase order, the Distributor may sell Shares and may authorise distributors to sell Shares within such country at a total price less than the applicable price set forth above, but in accordance with the maximum amounts permitted by the law or practice of such country.

CONTINGENT DEFERRED SALES CHARGE

	Contingent Deferred Sales Charges for all Funds	
Time Period Since Subscription:	**Classes B, B1, BD, BDX, BH, BHX, BO, BOX and BX**	**Classes C, CD, CH, CHX, CO, COX and CX**
0-365 days	4.00%	1.00%
1-2 Years	3.00%	none
2-3 Years	2.00%	none
3-4 Years	1.00%	none
4 Years and thereafter	none	none

The calculation is determined in a manner that results in the lowest possible rate being charged. Therefore, it is assumed that, unless otherwise specified, the redemption is applied to Class B, B1, BD, BDX, BH, BHX, BO, BOX, BX, C, CD, CH, CHX, CO, COX and CX Shares held longest by the Shareholder. The rate will be determined based on the Fund in which the Shareholder's subscription was first made. Conversion from one Fund to another will not affect the initial purchase date not the rate to be applied upon redemption for the purposes of calculating the Contingent Deferred Sales Charge.

To provide an example, assume a Shareholder purchased 100 Class B Shares in a Fund at €25 per Share (at a cost of €2,500) and in the third year after issuance the Net Asset Value per Share is €27. If at such time the Shareholder makes his first redemption of 50 Shares (proceeds of €1,350), the charge is applied only to the original cost of €25 per Share and not to the increase in Net Asset Value of €2 per Share. Therefore €1,250 of the €1,350 redemption proceeds will be charged a Contingent Deferred Sales Charge at a rate of 2.00% (the applicable rate in the third year after issuance).

The Contingent Deferred Sales Charge, if any, accrues to the Distributor and is used in whole or in part by the Distributor to defray its expenses in providing distribution-related services to the Fund relating to the sale, promotion and marketing of Class B, B1, BD, BDX, BH, BHX, BO, BOX, BX, C, CD, CH, CHX, CO, COX and CX Shares and the furnishing of services to Shareholders by sales and marketing personnel of the Distributor.

The Contingent Deferred Sales Charge (in combination with the Distribution Fee (see Section 2.5 "Charges and Expenses") in the case of Class B, B1, BD, BDX, BH, BHX, BO, BOX and BX Shares) is designed to finance the distribution of Class B, B1, BD, BDX, BH, BHX, BO, BOX, BX, C, CD, CH, CHX, CO, COX and CX Shares through the Distributor and distributors without a dealer mark-up or sales charge assessed at the time of purchase.

WAIVER OF CONTINGENT DEFERRED SALES CHARGE

The Company will waive any applicable Contingent Deferred Sales Charge which may be payable on the redemption of Class B, B1, BD, BDX, BH, BHX, BO, BOX, BX, C, CD, CH, CHX, CO, COX and CX Shares where a redemption is effected pursuant to the right of the Company to liquidate a Shareholder's account as described in more detail under "Compulsory Redemption" (*i.e.* where it is not the fault of the Shareholder which has resulted in the compulsory redemption).

The Company will waive any applicable Contingent Deferred Sales Charge which may be payable on the redemption of those Class BDX, BHX, BOX, BX, CHX, COX and CX Shares which result from the automatic reinvestment of dividends.

In addition the Company may also waive all or part of any applicable Contingent Deferred Sales Charge at the Directors' discretion. The Company has authorised the Distributor to waive all or part of the Contingent Deferred Sales Charge at the discretion of the Distributor in respect of subscriptions made by clients of the Distributor (including clients of distributors).

The alternative Sales Charge arrangements permit an investor to choose the method of purchasing Shares that is most beneficial given the amount of the purchase, the length of time the investor expects to hold the Shares and individual circumstances. Investors should determine whether under their particular circumstances it is more advantageous to incur an initial Sales Charge and not be subject to Distribution Fees and a Contingent Deferred Sales Charge, or to have the entire subscription amount invested in a Fund with the investment thereafter being subject to Distribution Fees and a Contingent Deferred Sales Charge.

2.2 Issue of Shares, Subscription and Payment Procedure

The Directors are authorised without limitation to issue fully paid up Shares of any Class at any time.

Any request for subscription, redemption or conversion shall be irrevocable except in the event of a suspension of the calculation of the Net Asset Value.

ISSUE OF SHARES

Shares of all Classes will be issued at a price corresponding to the Net Asset Value per Share of the relevant Class in the relevant currency. For the currencies in which the Shares for the relevant Funds will be issued, please refer to the table in Section 2.7 "Net Asset Value Determination" on page 50. Up-to-date information is available on www.morganstanleyinvestmentfunds.com or from the Distributor. The Class A, A1, AD, ADX, AH, AHX, AO, AOX and AX Shares of all Equity Funds, Bond Funds, Asset Allocation Funds and the Alternative Investment Funds are subject to a Sales Charge calculated on the entire subscription amount in the subscription currency. However, in the event of a conversion from a Liquidity Fund into an Equity Fund, Bond Fund, Asset Allocation Fund or an Alternative Investment Fund the applicable Sales Charge for that Fund may be levied – see "Conversion of Shares" for further details. Details of the minimum initial and subsequent subscriptions for a Fund and the Sales Charges are set out in Section 2.1 "Share Class Description".

Initial applications for Shares must be made on the Company's Application Form or in a format acceptable to the Company containing the information required by the Company and must be forwarded to the Transfer Agent in Luxembourg, or to any distributor indicated on the Application Form. Subsequent applications may be made in writing or by fax. The Company may also decide that initial and subsequent subscription applications may be made by electronic or other means (provided that a duly completed Application Form is received for initial subscription applications). The Company reserves the right to reject any application for Shares, in whole or in part. All applications are made subject to this Prospectus, the latest annual report and semi-annual report, if available, the Company's Articles of Incorporation and the Application Form.

Joint applicants must each sign the Application Form unless an acceptable Power of Attorney or other written authority is provided.

Applications for Shares in all Funds received by the Transfer Agent before the Cut-Off Point for any Dealing Day will be processed on that Dealing Day based on the Net Asset Value per Share determined for that Dealing Day.

Any applications received by the Transfer Agent after the Cut-Off Point for any Dealing Day will be processed on the next Dealing Day on the basis of the Net Asset Value per Share next determined.

Applications for Class ADX, AHX, AOX, AX, BDX, BHX, BOX, BX, CHX, COX, CX, IHX, IOX, IX, NHX, NOX, NX, SOX, SX, ZHX, ZOX and ZX Shares shall begin accruing dividends on the Dealing Day on which such orders are processed.

No distributor is permitted to withhold subscription orders to benefit themselves by a price change. Investors should note that they may be unable to purchase or redeem Shares through a distributor on days that such distributor is not open for business.

A collection agent (that is, an entity located in a Financial Action Task Force country or equivalent country, which collects subscription, redemption and conversion requests on behalf of the Company but does not process them) must receive an application before the Cut-Off Point for any Dealing Day in order for the Transfer Agent to process the application on the basis of the Net Asset Value per Share determined for that Dealing Day. Applications received by a collection agent after the Cut-Off Point for any Dealing Day will be processed by the Transfer Agent on the basis of the Net Asset Value per Share determined for the next Dealing Day. Where collection agents appointed by the Distributor receive subscription monies, those monies will have been subject to the anti-money laundering checks of an appointed distributor or the relevant collection agent.

The Company determines the price or Net Asset Value of its Shares on a forward basis. This means that it is not possible to know in advance the Net Asset Value per Share at which Shares will be bought or sold (exclusive of any sales charges). The Net Asset Value per Share is calculated at the valuation point following the Cut-Off Point.

The Company's Funds, with the exception of the Liquidity Funds, are not designed for investors with short term investment horizons. Activities which may adversely affect the interests of the Company's Shareholders (for example that disrupt investment strategies or impact expenses) are not permitted. Specifically, market timing is not permitted.

Whilst recognising that Shareholders may have legitimate needs to adjust their investments from time to time, the Directors in their discretion may, if they deem such activities adversely affect the interests of the Company's Shareholders, take action as appropriate to deter such activities.

Accordingly if the Directors determine or suspect that a Shareholder has engaged in such activities, they may suspend, cancel, reject or otherwise deal with that Shareholder's subscription or conversion applications and take any action or measures as appropriate or necessary to protect the Company and its Shareholders. Please refer to "Redemption of Shares" and "Conversion of Shares" for further information in relation to the measures which may be taken by the Directors.

The Company may restrict or prevent the ownership of Shares in the Company by any person, firm or corporate body, if in the opinion of the Company such holding may be detrimental to the Company, if it may result in a breach of any law or regulation, whether Luxembourg or foreign, or if as a result thereof the Company may become exposed to tax disadvantages or other financial disadvantages that it would not have otherwise incurred (such persons, firms or corporate bodies to be determined by the Directors being herein referred to as "Prohibited Persons"). In particular, the Directors have resolved to prevent the ownership of Shares by any US Person (as defined pursuant to Regulation S under the US Securities Act of 1933, as amended).

The Company retains the right to offer only one Class of Shares for purchase by investors in any particular jurisdiction in order to conform to local law, custom or business practice. The Company also reserves the right to adopt standards applicable to classes of investors or transactions that permit or require the purchase of a particular Class of Shares.

If the Directors determine that it would be detrimental to the existing Shareholders to accept a cash application for Shares of any Fund which, either singly or when aggregated with other applications so received in respect of any Dealing Day (the "First Dealing Day") represents more than 10% of such Fund, the Directors may decide that all or part of such applications for Shares be deferred until the next Dealing Day so that not more than 10% of the Net Asset Value of the relevant Fund be subscribed for on the First Dealing Day.

If the Directors decide to defer all or part of such application, the applicant shall be informed prior to the deferral taking place. To the extent that any application is not given full effect on such First Dealing Day by virtue of the exercise of the power to pro-rate applications, it shall be treated with respect to the unsatisfied balance thereof as if a further request had been made by the Shareholder in respect of the next Dealing Day and, if necessary, subsequent Dealing Days, until such application shall have been satisfied in full. With respect to any application received in respect of the First Dealing Day, to the extent that subsequent applications shall be received in respect of following Dealing Days, such later applications shall be postponed until after the satisfaction of applications relating to the First Dealing Day, but subject thereto shall be dealt with as set out in the preceding sentence.

Alternatively at the discretion of the Directors the Company may accept payment for Shares in whole or in part by an in kind subscription of suitable investments. The transaction costs incurred in connection with the acceptance by the Company of an in kind subscription will be borne directly by the incoming Shareholder. Any applicable Sales Charge will be deducted before investment commences. The investments forming the in kind subscription will be valued and a report will be issued by the Company's auditors following their review of the methods of the valuation used by the Company for accepting the in kind subscription.

Such review will be conducted in accordance with the professional recommendations of the *Institut des Réviseurs d'Entreprise*s. The value determined, together with the Net Asset Value calculated for the Class of Shares concerned in the relevant Fund, will determine the number of Shares to be issued to the incoming Shareholder. The purpose of the foregoing policy is to ensure that the existing Shareholders in a Fund do not bear the transaction costs of acquiring additional assets for a large incoming Shareholder.

Applicants for Shares may make payment in Dollars, Euro, Yen or Sterling. Applicants can only make payment for AH, AHX, AO, AOX, BH, BHX, BO, BOX, CH, CHX, CO, COX, IH, IHX, IO, IOX, ZH, ZHX, ZO and ZOX Class in the currency in which that share class is denominated, depending on the specific Class this may require payment in Dollars, Euro, Yen, Sterling, Swiss francs, Norwegian Krone, Swedish Krona or any other currency which the Directors may decide. Where payment is made for any other class in a currency in which the relevant Class does not issue a Net Asset Value, the Administrator will arrange for the necessary currency transaction to convert the subscription monies into the Reference Currency of the relevant Fund. Any such currency transaction will be effected with the Custodian or the Distributor at the applicant's cost. Currency exchange transactions may delay any dealing in Shares as the Administrator may choose at its option to delay executing any foreign exchange transaction until cleared funds have been received.

In the case of subscriptions for Shares of Class A, A1, AD, ADX, AH, AHX, AO, AOX, AX, B, B1, BD, BDX, BH, BHX, BO, BOX, BX, C, CD, CH, CHX, CO, COX and CX of all Funds and Class I, IH, IHX, IX, S, SX, Z, ZH, ZHX and ZX of the Liquidity Funds unless prior arrangements have been made, cleared funds must be received by the Transfer Agent on the Business Day prior to the relevant Dealing Day in order for the Applicant to receive the Net Asset Value per Share determined for that Dealing Day.

In the case of subscription for Shares of Class I[14], I1, ID, IH, IHX, IO, IOX, IX, S, SD, SO, SOX, SX, Z, Z1[15], ZD, ZH, ZHX, ZO, ZOX and ZX for all Funds except the Liquidity Funds cleared funds must be received by the Transfer Agent by 1 p.m. CET, within three Business Days after the Dealing Day.

Full payment instructions are set out in the Application Form and may also be obtained through a Distributor or the Transfer Agent. Applicants for Shares should note that cheques are not accepted as means of payment.

[14] Share Class I in the Absolute Return Currency Fund is not available to subscriptions to first time applicants of the Company, to subscriptions from existing Shareholders of the Absolute Return Currency Fund and to conversions.

[15] Share Class Z1 of the Absolute Return Currency Fund will be reclassified as Share Class Z of the Absolute Return Currency Fund with effect from the date of this Prospectus.

Where Shares are subscribed through a distributor, different payment arrangements to those set out above may apply and will be available from the relevant distributor.

If timely settlement is not made (or a completed Application Form is not received for an initial subscription), the relevant allotment of Shares may be cancelled and the subscription monies returned to the applicant without interest. Alternatively, if payment is received in respect of any application after the settlement date, the Company will consider the application as being an application for the number of Shares which can be purchased or subscribed with such payment on the next Dealing Day. An applicant may be required to compensate the relevant distributor and/or the Company for the costs of late or non-payment. The Directors will have the power to redeem all or part of the applicant's holding of Shares in order to meet such costs.

CONFIRMATION NOTES

A Confirmation Note is sent to the applicant by ordinary post (or by fax, electronic or other means) on the Dealing Day the order is processed, providing full details of the transaction.

It is recommended that applicants check Confirmation Notes on receipt.

All Shares are issued in registered form and the share register is conclusive evidence of ownership. The Company treats the registered owner of a Share as the absolute and beneficial owner thereof.

Shares are issued in uncertificated form. The uncertificated form enables the Company to effect redemption instructions without undue delay.

The Distributor may permit any distributor to be involved in the collection of subscription, redemption and conversion orders on behalf of the Company and any of the Funds and may itself or arrange for a third party (including a distributor) to, in that case, provide a nominee service for applicants purchasing Shares through them. Applicants may elect, but are not obliged, to make use of such nominee service pursuant to which the nominee will hold Shares in its name for and on behalf of the applicants who shall be entitled at any time to claim direct title to the Shares and who, in order to empower the nominee to vote at any general meeting of Shareholders, shall provide the nominee with specific or general voting instructions to that effect. Applicants retain the ability to directly invest in the Company without using a nominee service.

Applicants are allocated a Shareholder number on acceptance of their application and this together with the Shareholder's personal details are proof of identity. This Shareholder number should be used for all future dealings by the Shareholder with the Company or the Transfer Agent.

Any changes to the Shareholder's personal details or loss of Shareholder number must be notified immediately to the Transfer Agent in writing. Failure to do so may result in delay upon redemption. The Company reserves the right to require an indemnity or verification countersigned by a bank, stockbroker or other party acceptable to it before accepting such instructions.

If any application is not accepted in whole or in part the application monies or the balance outstanding will be returned to the applicant by post or bank transfer at the applicant's risk.

GENERAL PROVISIONS

The Company reserves the right to reject any application or to accept the application in part only. Furthermore, the Directors reserve the right at any time, without notice, to discontinue the issue and sale of Shares of any Class in any or all Funds.

Pursuant to the Law of 19th February 1973 on the sale of medicinal substances and the defence against drug addiction, as last amended by the Law of 11th August 1998, to the Law of 12th November 2004 relating to the fight against money laundering and financing of terrorism, and the relevant Circulars issued by the Luxembourg Supervisory Authority, Luxembourg has regulations in place for the prevention of money laundering from drug trafficking proceeds. As a result, evidence of the identity of subscribers, including the provision of supporting documentation, may be required by the Company. Such information may be collected at the time an application for Shares is made.

No Shares will be issued by the Company during any period when the calculation of the Net Asset Value per Share of the relevant Fund is suspended by the Company pursuant to the powers reserved to it by its Articles of Incorporation and as discussed herein under "Temporary Suspension of Calculation of Net Asset Value".

Notice of any such suspension will be given to applicants for Shares and applications made or pending during such suspension may be withdrawn by notice in writing received by the Company prior to the Cut-Off Point in respect of the first Dealing Day following the end of such suspension. Applications which are not withdrawn will be considered on the first Dealing Day following the end of the suspension period.

DIRECTORS' POWERS AND ANTI-DILUTION MEASURES

The Directors may, at any time and in their discretion, resolve to close a Fund to subscriptions for a period of time. The circumstances in which they may do so include, but are not limited to, circumstances where the strategy run by the relevant Investment Adviser or Sub-Adviser, of which the Fund forms part, has reached a size where, in the opinion of the Investment Adviser or Sub-Adviser, the universe of securities in which the strategy may invest may become too small to enable the Investment Adviser or Sub-Adviser to continue to invest the assets of the strategy effectively if the Fund, and therefore the strategy, continues to grow. Such Funds may be re-opened at any time by a resolution of the Board.

To the extent that the Directors consider that it is in the best interests of Shareholders, taking into account factors including the prevailing market conditions, the level of subscriptions and redemptions in a particular Fund and the size of the Fund, the Directors may take one or both of the following steps: (i) adjust the Net Asset Value of a Fund to reflect the estimated dealing spreads, costs and charges to be incurred by the Fund in liquidating or purchasing investments to satisfy the net transactions received in respect of a particular Dealing Day. The adjustment shall not exceed 1% of the Net Asset Value of the relevant Fund on the relevant Dealing Day; and (ii) impose a fee of up to 2% of the amount of an individual subscription or redemption may be applied by the Company. The fee is retained by the Company for the benefit of continuing Shareholders of the relevant Fund.

2.3 Redemption of Shares

Shares may be redeemed on any Dealing Day subject to the limitations described below. Shares of all Classes will be redeemed at a price corresponding to the Net Asset Value per Share of the relevant Class in the relevant currency.

PROCEDURE FOR REDEMPTION

Shareholders wishing to have all or some of their Shares redeemed by the Company may do so by fax or by letter to the Transfer Agent or to a distributor. The Company may also decide that applications for redemptions may be made by electronic or other means.

The application for redemption must include (i) the monetary amount the Shareholder wishes to redeem, or (ii) the number of Shares the Shareholder wishes to redeem. In addition, the application for redemption must include the Shareholder's personal details together with the Shareholder's account number. Failure to provide any of this information may result in delay of the application for redemption whilst verification is being sought from the Shareholder.

Upon redemption of Class ADX, AHX, AOX, AX, BDX, BHX, BOX, BX, CHX, COX, CX, IHX, IOX, IX, NHX, NOX, NX, SOX, SX, ZHX, ZOX and ZX Shares, all dividends will accrue up to, and including, the Dealing Day on which such orders are processed. Holders of Class B, B1, BD, BDX, BH, BHX, BO, BOX, BX, C, CD, CH, CHX, CO, COX and CX Shares may be subject to a Contingent Deferred Sales Charge in accordance with Section 2.1 "Share Class Description".

Such applications for redemption will be considered as binding and irrevocable by the Company except in the event of a suspension of the calculation of the Net Asset Value. Written confirmations may be required by the Company and must be duly signed by all registered holders, unless in the case of joint registered holders, each such holder has sole signing authority.

Applications for redemption from all Funds received by the Transfer Agent before the Cut-Off Point for any Dealing Day will be processed on that Dealing Day based on the Net Asset Value per Share determined for that Dealing Day. Any applications received by the Transfer Agent after the Cut-Off Point for any Dealing Day will be processed on the next Dealing Day on the basis of the Net Asset Value per Share next determined.

No distributor is permitted to withhold redemption orders received to benefit themselves by a price change. Investors should note that they may be unable to redeem Shares through a distributor on days that such distributor is not open for business.

A collection agent (that is, an entity located in a Financial Action Task Force country or equivalent country, which collects subscription, redemption and conversion requests on behalf of the Company but does not process them) must receive an application for redemption before the Cut-Off Point for any Dealing Day in order for the Transfer Agent to process the application on the basis of the Net Asset Value per Share determined for that Dealing Day. Applications received by a collection agent in respect of a Dealing Day after the Cut-Off Point will be processed by the Transfer Agent on the basis of the Net Asset Value per Share determined for the next Dealing Day.

The Company determines the price or Net Asset Value of its Shares on a forward basis. This means that it is not possible to know in advance the Net Asset Value per Share at which Shares will be bought or sold (exclusive of any sales charges). The Net Asset Value per Share for a Dealing Day is calculated at the valuation point following the Cut-Off Point.

The Company's Funds, with the exception of the Liquidity Funds, are not designed for investors with short term investment horizons. Activities which may adversely affect the interests of the Company's Shareholders (for example that disrupt investment strategies or impact expenses) are not permitted. Specifically, market timing is not permitted.

Whilst recognising that Shareholders may have legitimate needs to adjust their investments from time to time, the Directors in their discretion may, if they deem such activities adversely affect the interests of the Company's Shareholders, take action as appropriate to deter such activities.

Accordingly if the Directors determine or suspect that a Shareholder has engaged in such activities, they may suspend, cancel, reject or otherwise deal with that Shareholder's application and take any action or measures as appropriate or necessary to protect the Company and its Shareholders. A redemption fee of up to 2% of an individual redemption may be applied by the Company where the directors, in their discretion, determine that the shareholder has engaged in trading practices which adversely affect the interests of the Company's shareholders or where it is otherwise appropriate to protect the interest of the Company. The fee is retained by the Company for the benefit of continuing Shareholders of the relevant Fund.

A Confirmation Note providing full details of the transaction and the redemption proceeds is sent to the applicant by ordinary post (or by fax, electronic or other means) on the Dealing Day the order is processed.

For redemptions from the US Dollar Liquidity Fund, the applicant will be notified of the redemption proceeds on the Dealing Day the order is processed. The redemption proceeds will take into account any applicable Contingent Deferred Sales Charge and Shareholders are reminded that the redemption proceeds can be higher or lower than the initial subscription amount.

It is recommended that applicants check Confirmation Notes on receipt.

Payment for Shares redeemed will be effected no later than three Business Days after the relevant Dealing Day for all Funds except the Liquidity Funds. Payment for Shares redeemed from the Euro Liquidity Fund and Euro Government Liquidity Fund will be effected no later than one Business Day after the relevant Dealing Day. Payment for Shares redeemed from the US Dollar Liquidity Fund will be effected on the Dealing Day the redemption request is processed.

Unless otherwise specified by the Shareholder on the application for redemption, such redemption will be paid in the Reference Currency of the Fund or, if applicable, the Hedged Share Class from which the Shareholder is redeeming. If necessary, the Administrator will arrange the currency transaction to convert the redemption monies from the Reference Currency of the relevant Fund into the relevant currency. Such currency transaction will be effected with the Custodian or the Distributor at the Shareholder's cost if the currency is not one in which the Net Asset Value per Share of the Class from which the Shareholder is redeeming is issued. The Company reserves the right to delay payment for up to ten Business Days from the relevant Dealing Day if market conditions are unfavourable where it considers such action to be in the best interests of the remaining Shareholders.

TEMPORARY SUSPENSION OF REDEMPTION

The redemption of Shares of the Company will be suspended during any period when the calculation of the Net Asset Value per Share of the relevant Class is suspended by the Company pursuant to the powers set out under the heading "Temporary Suspension of Calculation of Net Asset Value" herein. Any Shareholder tendering Shares for redemption will be notified of such period of suspension. The Shares in question will be redeemed on the first Dealing Day following the end of the suspension period.

If a period of suspension lasts for more than one calendar month after the date of an application for redemption, the application may be cancelled by the Shareholder by notice in writing to a distributor or to the Company, provided that the notice is received by the distributor or the Company prior to any relevant deadline notified to the Shareholder on the last Dealing Day of the suspension period.

COMPULSORY REDEMPTION

If the Net Asset Value of any Fund or Class of Shares at any valuation point shall become at any time less than 100 million Euros, or its equivalent in the Reference Currency of the relevant Fund, the Company may, at its discretion, redeem all but not less than all of the Shares of the applicable Classes of Shares then outstanding at the Redemption Price calculated for the Expiration Date (as hereinafter defined). However, the Company must (i) provide four weeks' written notice of redemption to all Shareholders of the Classes of Shares to be redeemed, such notice expiring on the following Dealing Day (the "Expiration Date") and (ii) redeem such Shares within four weeks following such Expiration Date. Shareholders shall be notified in writing of any such redemption. A Contingent Deferred Sales Charge, if applicable, will not be levied on the redemption proceeds of Class B, B1, BD, BDX, BH, BHX, BO, BOX, BX, C, CD, CH, CHX, CO, COX and CX Shares subject to this type of compulsory redemption.

If a Shareholder holds less than the minimum holding amount for a class of Shares as prescribed under Section 2.1 "Share Class Description", the Company may, upon providing them with one month's notice, compulsorily redeem their holding as an alternative to a compulsory redemption as provided above.

If the Company receives a request for redemption of Shares relating to: (i) part of a holding of Shares with a value of less than $2,500 or its equivalent, or (ii) if after redemption the holder would be left with a balance of Shares having a value of less than the current minimum holding amount or less than US$100 or its equivalent, the Company may treat this as a request to redeem such Shareholder's entire holding or may at a later date, upon providing them with one month's notice, elect to either compulsorily redeem their holding or convert their holding into another Share Class.

If it shall come to the attention of the Company at any time that Shares are beneficially owned by a Prohibited Person, either alone or in conjunction with any other person, and the Prohibited Person fails to comply with the direction of the Company to sell his Shares and to provide the Company with evidence of such sale within thirty days of being so directed by the Company, the Company may in its discretion compulsorily redeem such Shares at their Redemption Price in accordance with the Articles of Incorporation. Immediately after the close of business specified in the notice given by the Company to the Prohibited Person of such compulsory redemption, the Shares will be redeemed and such investors will cease to be the owners of such Shares. Class B, B1, BD, BDX, BH, BHX, BO, BOX, BX, C, CD, CH, CHX, CO, COX and CX Shareholders should note that in these circumstances, if applicable, a Contingent Deferred Sales Charge will be levied on the redemption proceeds. The Company may require any Shareholder or prospective Shareholder to furnish it with any information which it may consider necessary for the purpose of determining whether or not the beneficial owner of such Shares is or will be a Prohibited Person.

PROCEDURES FOR REDEMPTIONS AND CONVERSIONS REPRESENTING TEN PERCENT OR MORE OF ANY FUND

If any application for redemption or conversion is received in respect of any one Dealing Day (the "First Dealing Day") which either singly or when aggregated with other applications so received, is more than 10% of the Net Asset Value of any one Fund, the Company reserves the right in its sole and absolute discretion (and acting in the best interests of the remaining Shareholders) to scale down pro rata each application with respect to such First Dealing Day so that not more than 10% of the Net Asset Value of the relevant Fund be redeemed or converted on such First Dealing Day. In circumstances where the 10% threshold is met as a result of the aggregation of a number of applications, only those applications exceeding a threshold, currently 2%, of the Net Asset Value of the relevant Fund, will be scaled down pro rata. For example, if applications representing 1%, 3%, 5% and 6% of the Net Asset Value of a Fund are received, only the applications representing 3%, 5% and 6% will be scaled down pro rata. The Company may in its discretion change the threshold as it may decide is appropriate in which case the Prospectus will be amended accordingly.

To the extent that any application is not given full effect on such First Dealing Day by virtue of the exercise of the power to pro-rate applications, it shall be treated with respect to the unsatisfied balance thereof as if a further request had been made by the Shareholder in respect of the next Dealing Day and, if necessary, subsequent Dealing Days, until such application shall have been satisfied in full. With respect to any application received in respect of the First Dealing Day, to the extent that subsequent applications shall be received in respect of following Dealing Days, such later applications shall be postponed until after the satisfaction of applications relating to the First Dealing Day, but subject thereto shall be dealt with as set out in the preceding sentence.

Alternatively, the Company, in its sole and absolute discretion, may ask such Shareholder to accept payment in whole or in part by an in-kind distribution of securities in lieu of cash. The securities forming the in–kind distribution will be valued and a valuation report obtained from the Company's auditors. Investors who receive securities in lieu of cash upon redemption should note that they may incur brokerage and/or local tax charges on the sale of the securities. In addition, the net proceeds from the sale by the redeeming Shareholder of the securities may be more or less than the Redemption Price due to market conditions and/or the difference between the prices used to calculate the Net Asset Value and bid prices received on the sale of the securities. In the event that a Contingent Deferred Sales Charge is payable on the redemption proceeds of the Class B, B1, BH, BHX, BO, BOX, BX, C, CH, CHX, CO, COX and CX Shares, securities will be retained by the Company to cover such Contingent Deferred Sales Charge before the remaining securities are transferred to the redeeming Shareholder.

ANTI-DILUTION MEASURES

To the extent that the Directors consider that it is in the best interests of Shareholders, taking into account factors including the prevailing market conditions, the level of subscriptions and redemptions in a particular Fund and the size of the Fund, the Directors may take one or both of the following steps: (i) adjust the Net Asset Value of a Fund to reflect the estimated dealing spreads, costs and charges to be incurred by the Fund in liquidating or purchasing investments to satisfy the net transactions on a particular Dealing Day. The adjustment shall not exceed 1% of the Net Asset Value of the relevant Fund on the relevant Dealing Day; and (ii) impose a fee of up to 2% of the amount of an individual subscription or redemption may be applied by the Company. The fee is retained by the Company for the benefit of continuing Shareholders of the relevant Fund.

2.4 Conversion of Shares

Shareholders are entitled to convert all or part of their Shares of one Fund into Shares of the same Class of other Funds and may also convert from one Class of Shares of a Fund into other Classes of Shares of that Fund or other Funds in accordance with the table below, without charge, except as otherwise provided below and provided that the Shareholder meets the eligibility criteria for the Class of Share into which they are converting, as detailed in Section 2.1.

Conversions are always processed in a common currency. Where conversion is between Share Classes whose Net Asset Values are issued in a common currency, the conversion will be processed in the common currency specified by the investor. Where there is not a common currency between the Net Asset Values of the converting Share Classes, then no conversion is possible except with the specific approval of the Directors, and the investor will need to redeem their holding and subscribe for their chosen Share Class in the appropriate currency.

The Directors may, at their discretion, accept other conversions than those detailed as permissible in the table below. In certain jurisdictions, where conversions are submitted via a third party agent, different arrangements may apply and the permitted conversions may differ from those set out in the following table. Investors should contact their third party agent for more information.

		INTO						
		Class A	Class B	Class C	Class I**	Class N	Class S	Class Z**
OUT OF	Class A	✓	x	x	✓	x	x	✓
	Class B	✓	✓	x	x	x	x	x
	Class C	x	x	✓	x	x	x	x
	Class I	✓	x	x	✓	x	✓	✓
	Class N	x	x	x	x	✓	x	x
	Class S	x	x	x	x	x	✓	✓
	Class Z	x	x	x	x	x	✓	✓

* References to a Class of Shares in this table are to all types of Shares (*i.e.* a reference to Class A shall include A1, AD, ADX, AH, AHX, AO, AOX and AX).
**Conversions into Classes I and Z of the Absolute Return Currency Fund are no longer accepted.

Applications may be sent in writing by fax to the Transfer Agent or to a distributor stating which Shares are to be converted. The Company may also decide that applications for conversion may be made by electronic or other means. The application for conversion must include (i) the monetary amount the Shareholder wishes to convert or (ii) the number of Shares the Shareholder wishes to convert, together with the Shareholder's personal details and Shareholder's account number. Failure to provide any of this information may result in delay of the application for conversion whilst verification is being sought from the Shareholder. The period of notice is the same as for applications for redemption. The application for conversion must be accompanied, as appropriate, by the registered share certificate or by a form of transfer, duly completed, or by any other document providing evidence of transfer.

The Directors may refuse to accept a conversion application if it is detrimental to the interests of the Company or the Shareholders taking into account the monetary amount or number of Shares to be converted, market conditions or any other circumstances. The Directors may, for example, at their discretion, decide to refuse a conversion application to protect a Fund and the Shareholders from the effects of short term trading or may limit the number of conversions between Funds which are permitted.

A conversion fee of up to 2% may be applied by the Company where the Directors, in their discretion, determine that the shareholder has engaged in trading practices which adversely affect the interests of the Company's shareholders or where it is otherwise appropriate to protect the interest of the Company and its shareholders. The fee is retained by the Company for the benefit of continuing Shareholders of the relevant Fund.

Conversion within Class A, A1, AD, ADX, AH, AHX, AO, AOX, AX, I, I1, ID, IH, IHX, IO, IOX, IX, Z, Z1, ZD, ZH, ZHX, ZO, ZOX or ZX Shares from one Fund to another Fund, with the exception of conversions from a Liquidity Fund, will not result in a Sales Charge being levied on the amount to be converted. However, where a Shareholder's investment in the Company is through Class A, AH, AHX or AX Shares of a Liquidity Fund, and such investment has not yet attracted a Sales Charge, any subsequent conversion of that investment from such Class of Shares of a Liquidity Fund into one of the other Funds may result in the payment of the applicable Sales Charge for the new Fund based on the amount to be invested in the new Fund. The Sales Charge will be deducted from the amount to be invested in the new Fund by the Transfer Agent at the time of the conversion and paid to the distributor.

Conversion within Class B, B1, BD, BDX, BH, BHX, BO, BOX, BX, C, CD, CH, CHX, CO, COX or CX Shares from one Fund to another Fund will not affect the initial purchase date nor the rate which will be applied upon redemption from the new Fund, as the rate which will be applied will be determined based on the first Fund in which the Shareholder purchased Shares. Any conversion of Class B, B1, BD, BDX, BH, BHX, BO, BOX or BX Shares to any other Class of Shares of any Fund within four years of the subscription date will be treated as a redemption and may be subject to a Contingent Deferred Sales Charge as detailed in Section 2.1 "Share Class Description". Any conversion of Class C, CD, CH, CHX, CO, COX and CX Shares to any other Class of Shares of any Fund within less than one year of the subscription date will be treated as a redemption and may be subject to a Contingent Deferred Sales Charge as detailed in Section 2.1 "Share Class Description".

Shareholders should note that if an application for conversion relates to a partial conversion of an existing holding and the remaining balance within the existing holding is below the minimum requirement (which is the current minimum initial subscription amount as detailed in this Prospectus), the Company is not bound to comply with such application for conversion.

If a Shareholder holds less than the minimum holding amount for a class of Shares as prescribed under Section 2.1 "Share Class Description", the Company may, upon providing them with one month's notice, compulsorily convert such Shareholder's holding into another class of Shares.

Any request for subscription, redemption or conversion shall be irrevocable except in the event of a suspension of the calculation of the Net Asset Value.

For all Funds, applications for conversion received by the Transfer Agent on any Dealing Day before the Cut-Off Point will be processed on that Dealing Day based on the Net Asset Value per Share determined on that Dealing Day using the relevant valuation methodology for the particular Fund. Any applications received after the Cut-Off Point will be processed on the next Dealing Day on the basis of the Net Asset Value per Share next determined.

Applications for conversion received before the Cut-Off Point in respect of a Dealing Day shall begin accruing dividends on that Dealing Day.

A collection agent (that is, an entity located in a Financial Action Task Force country or equivalent country, which collects subscription, redemption and conversion requests on behalf of the Company but does not process them) must receive an application for conversion in respect of a Dealing Day before the Cut-Off Point in order for the Transfer Agent to process the application on the basis of the Net Asset Value per Share determined for that Dealing Day. Applications received by a collection agent after the Cut-Off Point will be processed by the Transfer Agent on the basis of the Net Asset Value per Share determined for the next Dealing Day.

Investors should note that they may be unable to convert Shares through a distributor on days that such distributor is not open for business.

The Company determines the price or Net Asset Value of its Shares on a forward basis. This means that it is not possible to know in advance the Net Asset Value per Share at which Shares will be bought or sold (exclusive of any sales charges). The Net Asset Value per Share is calculated at the valuation point following the Cut-Off Point.

The Company's Funds, with the exception of the Liquidity Funds, are not designed for investors with short term investment horizons. Activities which may adversely affect the interests of the Company's Shareholders (for example that disrupt investment strategies or impact expenses) are not permitted. Specifically, market timing is not permitted.

Whilst recognising that Shareholders may have legitimate needs to adjust their investments from time to time, the Directors in their discretion may, if they deem such activities adversely affect the interests of the Company's Shareholders, take action as appropriate to deter such activities.

Accordingly if the Directors determine or suspect that a Shareholder has engaged in such activities, they may suspend, cancel, reject or otherwise deal with that Shareholder's subscription or conversion applications and take any action or measures as appropriate or necessary to protect the Company and its Shareholders.

Applications for conversion in respect of any one Dealing Day which either singly or when aggregated with other applications for conversion or redemption so received, represent more than 10% of the Net Asset Value of any one Fund, may be subject to additional procedures set forth herein under "Procedures for Redemptions and Conversions Representing Ten Percent or more of any Fund."

The rate at which all or part of the Shares in a given Fund (the "Original Fund") are converted into Shares in another Fund (the "New Fund"), or all or part of the Shares of a particular Class (the "Original Class") are converted into another Class within the same Fund (the "New Class"), is determined in accordance with the following formula:

$$A = \frac{B \times C \times E}{D}$$

where:

A is the number of Shares to be allocated in the New Fund or New Class;

B is the number of Shares of the Original Fund or Original Class which is to be converted;

C is the Net Asset Value per Share (minus the relevant Sales Charge payable if the Original Fund is a Liquidity Fund) of the Original Class or the relevant Class within the Original Fund at the relevant valuation point;

D is the Net Asset Value per Share of the New Class or the relevant Class within the New Fund at the relevant valuation point; and

E is the actual rate of exchange on the day concerned applied to conversions between Funds denominated in different currencies, and is equal to 1 in relation to conversions between Funds or Classes denominated in the same currency.

After conversion of the Shares, the Transfer Agent will inform the Shareholder of the number of Shares of the New Fund or New Class obtained by conversion and the price thereof. A Confirmation Note will be sent to the Shareholder by ordinary post (or by fax, electronic or other means) on the Dealing Day, providing full details of the transaction.

It is recommended that applicants check Confirmation Notes on receipt.

Any fractions of Shares can be allotted and issued unless the Shareholder holds Shares through Euroclear (see the "General Information" section).

2.5 Charges and Expenses

Expenses incurred in the formation of new Funds will be paid by the Company and amortised over a five year period in equal instalments.

In the case of any individual Fund or Class, the Investment Adviser may choose to waive or rebate all of its fee or any portion thereof at its absolute discretion for an indefinite period. For example, the Investment Adviser may choose to waive or rebate all or part of its fee in order to reduce the impact such fee may have on the performance of the Fund or Class in instances where the net assets of the Fund or Class are of insufficient size, or may do so in its discretion for any other purpose.

Under the terms of the Investment Advisory Agreement, Morgan Stanley Investment Management Inc. is entitled to receive from the Company a fee at the annual rates set out below. The fee is payable monthly in arrears and calculated on the average daily net assets (before deduction of the fee).

Investment Advisory Fee	Classes A, AD, ADX, AH, AHX, AO, AOX, AX, B, BD, BDX, BH, BHX, BO, BOX and BX	Classes C, CD, CH, CHX, CO, COX and CX	Classes I, ID, IH, IHX, IO, IOX, IX, Z, ZD, ZH, ZHX, ZO, ZOX and ZX	Classes S, SD, SO, SOX and SX
Equity Funds				
Asian Equity Fund	1.40%	2.20%	0.75%	–
Asia-Pacific Equity Fund	1.50%	2.30%	0.85%	–
Asian Property Fund	1.40%	2.20%	0.75%	–
Emerging Europe, Middle East and Africa Equity Fund	1.60%	2.40%	1.10%	–
Emerging Markets Equity Fund	1.60%	2.40%	1.10%	–
European Equity Alpha Fund	1.20%	1.90%	0.70%	–
European Property Fund	1.40%	2.20%	0.75%	–
European Small Cap Value Fund	1.60%	2.40%	0.95%	–
Eurozone Equity Alpha Fund	1.40%	2.20%	0.75%	–
Global Brands Fund	1.40%	2.20%	0.75%	–
Global Equity Allocation Fund	1.50%	2.30%	0.85%	–
Global Infrastructure Fund	1.50%	2.30%	0.85%	–
Global Opportunity Fund	1.60%	2.40%	0.90%	–
Global Property Fund	1.50%	2.30%	0.85%	–
Indian Equity Fund	1.60%	2.40%	0.90%	–
Japanese Equity Fund	1.40%	2.20%	0.75%	–
Latin American Equity Fund	1.60%	2.40%	1.00%	–
US Advantage Fund	1.40%	2.20%	0.70%	–
US Growth Fund	1.40%	2.20%	0.70%	–
US Property Fund	1.40%	2.20%	0.75%	–

Investment Advisory Fee	Classes A, AD, ADX, AH, AHX, AO, AOX, AX, B, BD, BDX, BH, BHX, BO, BOX and BX	Classes C, CD, CH, CHX, CO, COX and CX	Classes I, ID, IH, IHX, IO, IOX, IX, Z, ZD, ZH, ZHX, ZO, ZOX and ZX	Classes S, SD, SO, SOX and SX
Bond Funds				
Emerging Markets Corporate Debt Fund	1.45%	2.15%	0.95%	0.80%
Emerging Markets Debt Fund	1.40%	2.10%	0.90%	0.75%
Emerging Markets Domestic Debt Fund	1.40%	2.10%	0.90%	0.75%
Euro Bond Fund	0.80%	1.45%	0.45%	0.45%
Euro Corporate Bond Fund	0.80%	1.45%	0.45%	0.40%
Euro Government Bond Fund	0.60%	1.25%	0.25%	0.20%
Euro Select Credit Fund	0.80%	1.45%	0.45%	0.35%
Euro Strategic Bond Fund	0.80%	1.45%	0.45%	0.35%
European Currencies High Yield Bond Fund	0.85%	1.50%	0.50%	0.45%
Global Bond Fund	0.80%	1.45%	0.45%	0.35%
Global Convertible Bond Fund	1.00%	1.60%	0.60%	0.55%
Global High Yield Bond Fund	0.95%	1.60%	0.60%	0.55%
Short Maturity Euro Bond Fund	0.80%	1.45%	0.45%	0.30%
Liquidity Funds				
Euro Government Liquidity Fund[16]	0.40%	0.75%	0.15%	0.15%
Euro Liquidity Fund	0.50%	0.85%	0.20%	–
US Dollar Liquidity Fund	0.50%	0.85%	0.20%	–
Asset Allocation Funds				
Diversified Alpha Plus Fund	1.75%	2.45%	0.80%	–
Emerging Markets Securities Fund	1.80%	2.50%	1.00%	–

Investment Advisory Fee	Classes A and B	Classes A1, AH, AHX, AX, B1, BH, BHX and BX	Classes C, CH, CHX and CX	Classes I and Z	Classes IH, IHX, IX, ZH, ZHX, ZX, I1 and Z1[17]	Classes S and SX
Alternative Investment Funds						
Absolute Return Currency Fund	2.00%	1.75%	2.45%	1.00%	0.80%	–

No investment advisory fee is payable in respect of Class N, ND, NH, NHX, NO, NOX and NX Shares.

[16] The Investment Adviser will rebate a percentage of its investment advisory fee so that the maximum total charges and expenses of the Euro Government Liquidity Fund ("Total Expenses") will be 0.45% for Class A Shares, 1.20% for Class B Shares, 0.75% for Class C Shares, 0.20% for Class I Shares, 0.05% for Class N Shares, 0.15% for Class S Shares and 0.20% for Class Z Shares. The Total Expenses will include all charges, fees and expenses described in this Section 2.5.

[17] From the date of this Prospectus the Absolute Return Currency Fund Z1 Share Class will be reclassified as the Z Share Class.

Where the Distributor and its affiliates invest on behalf of clients, or their clients invest directly into Class N, ND, NH, NHX, NO, NOX and NX Shares, such clients may pay to the Distributor or its affiliates, a base management fee, a performance fee or a mixture of both a base management fee and a performance fee.

Pursuant to the Distribution Agreement, the Equity Funds, Bond Funds, Asset Allocation Funds and Alternative Investment Funds will pay the Distributor a Distribution Fee, accrued daily and paid monthly, at the annual rate of 1.00% of the average daily Net Asset Value of Class B, B1, BD, BDX, BH, BHX, BO, BOX and BX, Shares as compensation for providing distribution-related services to the Funds with respect to such Shares. The Liquidity Funds will pay the Distributor a Distribution Fee, accrued daily and paid monthly, at the annual rate of 0.75% of the average daily Net Asset Value for Class B, BH, BHX and BX Shares.

The Funds will be subject to a monthly Shareholder Service Fee at a maximum annual rate of 0.25% of the Funds' aggregate average daily Net Asset Value attributable to all Classes of Shares of the Funds. The current fees charged by the Company are as follows:

A, A1, AD, ADX, AH, AHX, AO, AOX, AX, B, B1, BD, BDX, BH, BHX, BO, BOX, BX, C, CD, CH, CHX, CO, COX, CX	0.15%+
I, I1, ID, IH, IHX, IO, IOX, IX, Z, Z1, ZD, ZH, ZHX, ZO, ZOX, ZX	0.08%+
S, SD, SO, SOX, SX	0.05%
N, ND, NH, NHX, NO, NOX, NX	Nil

+ Except for the Liquidity Funds which charge 0.05%

The Shareholder Service Fee will remain in force for an unlimited period and may be changed, subject to the maximum noted above, by the Company upon no less than one month's prior written notice. The fee is paid to the Distributor as compensation for providing certain services to Shareholders. The Distributor may choose to waive all of the Shareholder Service Fee or any portion thereof at its absolute discretion and for an indefinite period.

The Distributor may pay an amount of the Distribution Fee, Shareholder Service Fee or Contingent Deferred Sales Charge to distributors with whom it has distribution agreements. Additionally, the Investment Adviser may pay a portion of its investment advisory fee related to any Share Class to distributors, dealers or other entities that assist the Investment Adviser in the performance of its duties or provide services, directly or indirectly, to the Funds or their Shareholders, and may pay a portion of its investment advisory fee related to any Share Class on a negotiated basis in a private arrangement with a holder or prospective holder of Shares. The selection of holders or prospective holders of Shares with whom such private arrangements may be made and the terms on which the Distributor or its affiliates, designees or placement agents may enter into such private arrangements are a matter for the Distributor, except that as a condition of any such arrangements, the Company will not thereby incur any obligation or liability whatsoever.

The Custodian, Administrator and Paying Agent, Domiciliary Agent as well as the Registrar and Transfer Agent are each entitled to receive, out of the assets of the Company fees in accordance with usual practice in Luxembourg. The fees are accrued on the basis of the average daily net assets and are payable monthly. In addition, reasonable disbursements and out-of-pocket expenses incurred by such parties are charged to the Company.

The Custodian's fees payable vary from Fund to Fund depending on the size of the relevant Fund and the location where the investments are made. The custody rate payable ranges from 0.20 basis points to 35 basis points, depending on the market where the investment is held. The transaction rate which is payable in addition ranges from US$4.50 to US$80.00 per transaction depending on the market where the investments are made.

The Administrator's charges for all Funds are variable depending on the size of the particular Fund. For all Funds, other than the Liquidity Funds, fees are payable at rates ranging from 2.00 basis points to 0.50 basis points on a reducing scale as the size of the Fund increases. For the Liquidity Funds, fees are payable at rates ranging from 1.50 basis points to 0.25 basis points on a reducing scale as the size of the Fund increases.

Directors who are not directors, officers or employees of the Investment Adviser or any affiliate will be entitled to receive remuneration from the Company as disclosed in the Annual Report.

The Funds will also pay all other expenses incurred in the operation of the Company which include, without limitation, taxes, expenses for legal and auditing services, cost of any proposed listings, maintaining such listings, reporting and publishing expenses (including preparing, printing, advertising and distributing Shareholders' reports and prospectuses), all reasonable out-of-pocket expenses of the Directors, registration fees and other expenses due to supervisory authorities in various jurisdictions, insurance, interest, brokerage costs and the costs of publication of the Net Asset Value, whether such publication is required for regulatory purposes or otherwise.

The allocation of costs and expenses to be borne by the Company among the various Funds and Classes will be made in accordance with Article 11 of the Articles of Incorporation.

In certain jurisdictions, where subscriptions, redemptions and conversions are made through a third party agent, additional fees and charges may be imposed by that third party. These may be charged to the local investor or to the Company.

TRANSFER OF SHARES

The Company may, where the Directors determine it is in the best interests of the Company and its Shareholders, charge a fee to any Shareholder who requests that their investment is re-registered into a different Shareholder account. Such fee will be payable to the Company to compensate it for the costs of processing such request, out of the Shareholder's investment, such amount not to exceed €50 per transfer.

PERFORMANCE FEE

For each Share Class of the Fund listed below, the Investment Adviser shall receive a periodic fee as set out in the previous section headed "Charges and Expenses" and may also receive a performance fee ("the Performance Fee"), with the exception of A, B, I and Z Share Classes calculated as set out below.

a) For this purpose, and subject to the definitions below, there shall be ascertained by the Administrator as at each Calculation Date:

   i. the Share Class Return;

   ii. the Benchmark Return;

   iii. the Outperformance.

b) The Performance Fee shall not be payable unless there is Outperformance over the relevant Performance Period.

c) If the Performance Fee is payable, it shall be calculated by applying the following rate:

   20% of the Outperformance to the Weighted Average Notional Shares in Issue over the Performance Period.

d) The Performance Fee will be calculated and accrued daily and will be payable annually in arrears in respect of each Performance Period by the Fund. The Performance Fee accrued daily will be calculated as follows:

   ((Outperformance x 20%) x High Water Mark) x Weighted Average Notional Shares in Issue during the Performance Period.

e) If on a Calculation Date no Performance Fee is payable, the Performance Period shall be extended and shall continue until the next Fee Paying Calculation Date.

f) The use of a High Water Mark ensures that Shareholders will not be charged a Performance Fee until any previous losses are recovered.

g) If a Shareholder redeems Shares before the end of a Performance Period, any accrued but unpaid Performance Fee will already have been deducted from the Gross Asset Value and will not therefore affect the value of the redeemed Shares which shall be paid out at Net Asset Value.

h) A Performance Fee, once paid, will not be reimbursed to Shareholders, regardless of subsequent underperformance.

DEFINITIONS

Following definitions are used:

- "Benchmark Return" is the percentage return on the Benchmark stated for a Fund in the table below, compounded over the relevant Performance Period.
- "Calculation Date" shall mean 31st December of each year.
- "Fee Paying Calculation Date" means a Calculation Date occurring at the end of a period in respect of which a Performance Fee is payable.
- "Gross Asset Value" (the "GAV") means the Net Asset Value per Share shown in the Fund's valuations as at the relevant Calculation Date but without deduction of any Performance Fee in respect of the relevant Performance Period.
- "High Water Mark" is the Net Asset Value per Share at which the Share in question was issued on launch of the relevant Share Class or, if higher, the Net Asset Value per Share at the end of any previous Performance Period for which a Performance Fee was payable, in either case adjusted to take account of any distributions of income made in respect of the Share Class in the relevant period.
- "Outperformance" means the amount by which the Share Class Return arithmetically exceeds the Benchmark Return stated above over the relevant Performance Period(s). If, however, the Gross Asset Value at the end of the Performance Period is not above the High Water Mark, there is no Outperformance and accordingly no Performance Fee is payable.
- "Performance Period" means:

  a) in respect of the first Performance Period, the period beginning the date on which Shares in the relevant Class are first issued and ending on the first Fee Paying Calculation Date; and

  b) in respect of subsequent Performance Periods, the period beginning on the day following the last Fee Paying Calculation Date and ending on the next Fee Paying Calculation Date (this means that the Performance Period may, depending on the performance of the Fund, be for periods of more than twelve months).
- "Share Class Return" is the return (gross of Performance Fee and subject to item g) above) on each Share Class of the Fund listed in the table below over the relevant Performance Period(s) measured by reference to the High Water Mark.
- "Weighted Average Notional Shares in Issue" is the total of Shares in issue on each day of the relevant Performance Period, including weekends, divided by the total number of days comprising that Performance Period. For example, if 150,000

Shares are in issue on Friday and then 50,000 Shares are issued on the following Monday, then the Weighted Average Notional Shares in Issue for that period would be 162,500 = ((150,000 x 3 days) + (200,000 x 1 day)) / 4 days.

The Investment Adviser will be entitled to the Performance Fee if over the Performance Period: (i) the Share Class Return exceeds the Benchmark Return and (ii) the Gross Asset Value exceeds the High Water Mark.

Fund	Benchmark
Absolute Return Currency Fund	EONIA[18]

PERFORMANCE FEE EXAMPLES

Example – covering a period of 89 days from launch to first Calculation Date:

	First Day of period	First Calculation Date (last day of period)
Gross Asset Value	€100.00	€100.20

In this example, the Weighted Average Notional Shares in Issue is 5,000,000 and the number of days in the period is 89. We assume a static rate for EONIA of 2.8500% for the period.

1. The High Water Mark is €100.00

2. The Share Class Return over the whole Performance Period is calculated as:

   (Gross Asset Value – High Water Mark)/High Water Mark = (€100.20 – €100.00)/€100 = 0.20%

3. Benchmark Return over the period of 89 days: 0.6971%

4. Fund gross outperformance of the Benchmark Return is: (Share Class Return – Benchmark Return) = (0.20% – 0.6971%) = – 0.4971%

While the Gross Asset Value as at the last day of the period of €100.20 exceeds the High Water Mark of €100.00, the Share Class Return relative to the performance of the Benchmark is negative and therefore no Performance Fee is payable.

So the Performance Period is extended and the calculation of the Fund's performance is carried over to the next calculation period.

Example (continued) – Second period, this time of 12 months (i.e. 366 days) ending on the second Calculation Date; so the "Performance Period" is now 12 months plus 89 days since no Performance Fee was payable in the previous period. We assume a static rate for EONIA of 2.8500% for the additional 12 month period:

	First Day of the period (being the day after the First Calculation Date)	Second Calculation Date (last day of period)
Gross Asset Value	€100.20	€105.10

In this example, the Weighted Average Notional Shares in Issue is 5,000,000 for the period.

1. The High Water Mark (carried forward from the first calculation period) is €100.00

2. The Share Class Return over the whole Performance Period is calculated as:

   (Gross Asset Value – High Water Mark) / High Water Mark = (€105.10 – €100.00)/€100.00 = 5.10%

3. The Benchmark Return over the whole Performance Period (366+89 days) is 3.6155%

4. Fund gross outperformance of the Benchmark Return is:

   (Share Class Return – Benchmark Return) = (5.10% – 3.6155%) = 1.4845%

As the Share Class Return has achieved Outperformance in this example and the GAV exceeds the High Water Mark, a Performance Fee is payable:

((Outperformance x 20%) x High Water Mark) x Weighted Average Notional Shares in Issue = ((1.4845% x 20%) x €100) x 5,000,000 = €1,484,500.00

The Performance Fee is €1,484,500.00.

Figures are for illustration purposes only and are not indicative of the actual return received by Shareholders.

[18] For Hedged Share Classes issued by the Absolute Return Currency Fund, the Benchmark will be as follows: for US Dollar Hedged Share Classes, the Benchmark will be USD Overnight LIBOR, for Sterling Hedged Share Classes, the Benchmark will be GBP Overnight LIBOR, for Yen Hedged Share Classes, the Benchmark will be the Mutan, for Norwegian Kroner Hedged Share Classes, the Benchmark will be the Norway Interbank Offered Rate Fixing Tomorrow Next, for Swedish Krona Hedged Share Classes, the Benchmark will be the Stockholm Interbank Offered Rate Tomorrow Next.

2.6 Publication of Net Asset Value

The Net Asset Value per Share of each Class within each Fund, is made public at the registered office of the Company and is available at the offices of the Transfer Agent. The Company will arrange for the Net Asset Value per Share of each Class within each Fund to be published as required and, in addition as it may decide, in leading financial newspapers worldwide. The Company cannot accept any responsibility for any error or delay in publication or for inaccurate or non-publication of prices. Shareholders may view the Net Asset Value per Share on the Company's web-site (http://www.morganstanleyinvestmentfunds.com).

2.7 Net Asset Value Determination

The Net Asset Value per Share will be calculated in the following currencies:

	USD	Euro	Yen	Sterling	Currency in which the Shares are denominated
The Net Asset Value per Share of each Class in each Fund will be calculated in	x	x			
Except for the following Funds and Share Classes:					
• Japanese Equity Fund	x	x	x		
• Euro Liquidity Fund		x			
• US Dollar Liquidity Fund	x				
• Absolute Return Currency Fund		x			
• Emerging Markets Securities Fund	x	x		x	
• A Shares of the Global Brands Fund	x	x	x		
• Z Shares of the Emerging Markets Equity Fund	x	x		x	
• Z Shares of the Global Property Fund	x	x		x	
Where Class AOX, AX, BOX, BX, COX, CX, IOX, IX, NOX, NX, SOX, SX, ZOX and ZX Shares are issued by a Fund, other than a Liquidity Fund, the Net Asset Value per Share of the Class may also be calculated in:	x	x		x	
Where Class AH, AHX, AO, AOX, BH, BHX, BO, BOX, CH, CHX, CO, COX, IH, IHX, IO, IOX, NH, NHX, NO, NOX, ZH, ZHX, ZO and ZOX Shares are issued by a Fund, the Net Asset Value per Share of the Class will be calculated only in:					x

In addition to the currency combinations detailed above, the Directors reserve the right to publish the Net Asset Value per Share of a particular Class of a Fund in additional combinations not specified above and in additional currencies not detailed in the table. Any such currency Net Asset Value per Share published after the date of this Prospectus would be listed at www.morganstanleyinvestmentfunds.com and included in the next update of this Prospectus.

The Company determines the price or Net Asset Value of its Shares on a forward basis. This means that it is not possible to know in advance the Net Asset Value per Share at which Shares will be bought or sold (exclusive of any sales charges). The Net Asset Value per Share is calculated at the valuation point following the Cut-Off Point that applications for Shares must be received in respect of a Dealing Day by the Transfer Agent to be processed on that Dealing Day.

The Funds are valued daily and the Net Asset Value per Share is calculated at the valuation point on each Dealing Day. The Net Asset Value per Share for all Funds will be determined on the basis of the last available prices at the valuation point from the markets on which the investments of the various Funds are principally traded.

Events may occur between the determination of an investment's last available price and the determination of a Fund's Net Asset Value per Share at the valuation point that may, in the opinion of the Directors, mean that the last available price does not truly reflect the fair market value of the investment. In such circumstances the price of such investment shall be adjusted in accordance with the procedures adopted from time to time by the Directors in their discretion.

To the extent that the Directors consider that it is in the best interests of Shareholders, taking into account factors including the prevailing market conditions, the level of subscriptions and redemptions in a particular Fund and the size of the Fund, the Net Asset Value of a Fund may be adjusted to reflect the estimated dealing spreads, costs and charges to be incurred by the Fund in liquidating or purchasing investments to satisfy the net transactions for a particular Dealing Day. The adjustment shall not exceed 1% of the Net Asset Value of the relevant Fund on the relevant Dealing Day.

The Net Asset Value per Share is calculated at the valuation point on each Dealing Day in the Reference Currency of the relevant Fund and is then calculated as appropriate in US Dollars, Yen, Euro or Sterling using the last available rate of exchange prevailing in a recognised market at the valuation point.

The Net Asset Value per Share for Funds with investments with a known short term maturity date will be determined using an amortised cost method for those investments with a known short term maturity date. This involves valuing an investment at its cost and thereafter assuming a constant amortisation to maturity of any discount or premium, regardless of the impact of fluctuating interest rates on the market value of the investments.

While this method provides certainty in valuation, it may result in periods during which value, as determined by amortised cost, is higher or lower than the price the relevant Fund would receive if it sold the investment. The Directors will continually assess this method of valuation and recommend changes, where necessary, to ensure that the Funds' investments will be valued at their fair value as determined in good faith by the Directors. If the Directors believe that a deviation from the amortised cost per Share may result in material dilution or other unfair results to Shareholders, the Directors shall take such corrective action, if any, as they deem appropriate to eliminate or reduce, to the extent reasonably practicable, the dilution or unfair results.

For the avoidance of doubt, the Net Asset Value per Share of the Liquidity Funds will be determined solely by using an amortised cost method. The Net Asset Value per Share of each Class of Shares of each Fund is determined by dividing the value of the assets of the Fund properly allocable to such Class of Shares less the value of the liabilities of the Fund properly allocable to such Class of Shares by the total number of Shares of such Class outstanding at any Dealing Day.

The Net Asset Value of the Company is determined in accordance with Article 11 of the Articles of Incorporation of the Company which, *inter alia*, sets out the following rules to be applied in determining such value:

All Funds:

a) the value of any cash on hand or on deposit, bills and demand notes and accounts receivable, prepaid expenses, cash dividends and interest declared or accrued as aforesaid and not yet received is deemed to be the full amount thereof, unless in any case the same is unlikely to be paid or received in full, in which case the value thereof is arrived at after making such discount as may be considered appropriate in such case to reflect the true value thereof;

b) securities listed on a recognised stock exchange or dealt on any other Regulated Market (as defined in Appendix A hereinafter) will be valued at their last available prices, or, in the event that there should be several such markets, on the basis of their last available prices on the main market for the relevant security. In the event that the last available price does not truly reflect the fair market value of the relevant securities, the value of such securities will be based on the reasonably foreseeable sales price determined prudently and in good faith pursuant to procedures established by the Directors;

c) securities not listed or traded on a stock exchange or not dealt on another Regulated Market will be valued on the basis of the reasonably foreseeable sales price determined prudently and in good faith pursuant to procedures established by the Directors;

d) the liquidating value of futures, or options contracts not traded on exchanges or on other organised markets shall mean their net liquidating value determined, pursuant to the policies established by the Directors, on a basis consistently applied for each different variety of contracts. The liquidating value of futures or options contracts traded on exchanges or on other organised markets shall be based upon the last available prices of these contracts on exchanges and organised markets on which the particular futures or options contracts are traded by the Company; provided that if a futures or options contract could not be liquidated on the day with respect to which net assets are being determined, the basis for determining the liquidating value of such contract shall be such value as the Directors may deem fair and reasonable;

e) all other securities and other assets will be valued at fair market value as determined in good faith pursuant to procedures established by the Directors;

f) interest rate swaps will be valued at their market value established by reference to the applicable interest rates curve. Index and financial instruments related swaps will be valued at their market value established by reference to the applicable index or financial instrument. The valuation of the index or financial instrument related swap agreement shall be based upon the market value of such swap transaction established in good faith pursuant to procedures established by the Directors. The value of the credit default swaps shall be determined by applying a recognised and transparent valuation method on a regular basis and by reference to the applicable debt instrument.

The relevant Funds shall, in principle, keep in their respective portfolios the investments determined by the amortisation cost method until their respective maturity dates or sell dates. Any assets held in a particular Fund not expressed in the Reference Currency will be translated into the Reference Currency at the last available rate of exchange prevailing in a recognised market at the valuation point.

The Net Asset Value of the Company is at any time equal to the total of the Net Asset Values of the various Funds, converted, where necessary, into US Dollars at the last available rate of exchange prevailing in a recognised market at the relevant valuation point.

TEMPORARY SUSPENSION OF CALCULATION OF NET ASSET VALUE

Pursuant to Article 12 of the Articles of Incorporation, the Company may suspend the calculation of the Net Asset Value of one or more Funds and the issue, redemption and conversion of Shares:

a) during any period when any of the principal stock exchanges or other markets on which a substantial portion of the investments of the Company attributable to such Fund from time to time is quoted or dealt in is closed otherwise than for ordinary holidays, or during which dealings therein are restricted or suspended, provided that such restriction or suspension affects the valuation of the investments of the Company attributable to such Fund quoted thereon;

b) during the existence of any state of affairs which constitutes an emergency in the opinion of the Directors as a result of which disposal or valuation of assets owned by the Company attributable to such Fund would be impracticable;

c) during any breakdown in the means of communication or computation normally employed in determining the price or value of any of the investments of such Fund or the current price or value on any stock exchange or other market in respect of the assets attributable to such Fund;

d) during any period when the Company is unable to repatriate funds for the purpose of making payments on the redemption of Shares of such Fund or during which any transfer of funds involved in the realisation or acquisition of investments or payments due on redemption of Shares cannot, in the opinion of the Directors, be effected at normal rates of exchange;

e) when for any other reason the prices of any investments owned by the Company attributable to such Fund cannot promptly or accurately be ascertained;

f) any period when the Net Asset Value of any subsidiary of the Company may not be determined accurately;

g) upon the publication of a notice convening a general meeting of Shareholders for the purpose of resolving the winding-up of the Company.

The suspension of calculation of the Net Asset Value of any Fund shall have no effect on the calculation of the Net Asset Value per Share, the issue, redemption and conversion of Shares of any other Fund.

Any request for subscription, redemption or conversion shall be irrevocable except in the event of a suspension of the calculation of the Net Asset Value.

Notice of the beginning and of the end of any period of suspension will be published in a Luxembourg daily newspaper and in any other newspaper(s) selected by the Directors. Notice will likewise be given to any applicant or Shareholder as the case may be applying for purchase, conversion or redemption of Shares in the Fund(s) concerned.

2.8 Conflicts of Interest and Soft Commission

Subject to policies established by the Directors, the Investment Adviser is primarily responsible for the execution of each Fund's investment transactions and the allocation of the brokerage commissions. The Company has no obligation to deal with any broker or group of brokers in execution of transactions in portfolio securities. However, the Company contemplates that a substantial amount of its portfolio transactions will be conducted through the Investment Adviser, the Distributor, the Sub-Advisers, or any of their affiliates or through certain of the distributors appointed by the Distributor. Such transactions may be subject to a commission or dealer mark-up which may not be the lowest commission or spread available.

Brokers who provide supplemental investment research and research related services to the Investment Adviser may receive orders for transactions by the Company. Information so received will be in addition to and not in lieu of the services required to be performed by the Investment Adviser under the Investment Advisory Agreement, and the expenses of the Investment Adviser will not necessarily be reduced as a result of the receipt of such supplemental information. Although each and every service received may not be used for the benefit of all of the Funds, the Investment Adviser believes that those services are, in aggregate, of significant assistance in fulfilling its investment responsibilities to the Company.

Securities held by a Fund also may be held by another Fund or by other funds or investment advisory clients for which the Investment Adviser or its affiliates act as an adviser. Securities may be held by, or be an appropriate investment for, a Fund as well as other clients of the Investment Adviser or its affiliates. Because of different objectives or other factors, a particular security may be bought for one or more such clients when one or more clients are selling the same security. If purchases or sales of securities for a Fund or other clients for which the Investment Adviser acts as investment adviser arise for consideration at or about the same time, transactions in such securities will be made, insofar as feasible, for the respective funds and clients in a manner deemed equitable to all. There may be circumstances when purchases or sales of Fund securities for one or more clients have an adverse effect on other clients.

Because the Investment Adviser or its affiliates may manage assets for other investment companies, pooled investment vehicles, and/or other accounts (including institutional clients, pension plans and certain high net worth individuals), there may be an incentive to favour one client over another resulting in potential conflicts of interest. For instance, the Investment Adviser or its affiliates may receive fees from certain accounts that are higher than the fee it receives for a particular Fund, or it may receive a performance-based fee on certain accounts. In those instances, the portfolio manager(s) may have an incentive to favour the higher and/or performance-based fee accounts over a particular Fund. In addition, a potential conflict of interest could exist to the extent the Investment Adviser or its affiliates has proprietary investments in certain accounts, where portfolio managers have personal investments in certain accounts or when certain accounts are investment options in the Investment Adviser's and/or its affiliates employee benefits and/or deferred compensation plans. The portfolio manager may have an incentive to favour these accounts over others. If the Investment Adviser and/or one of its affiliates manages accounts that engage in short sales of securities of the type in which a Fund invests, the Investment Adviser and/or its affiliates could be seen as harming the performance of the Fund for the benefit of the accounts engaging in short sales if the short sales cause the market value of the securities to fall. The Investment Adviser and/or its affiliates have adopted trade allocation and other policies and procedures that it believes are reasonably designed to address these and other potential conflicts of interest.

2.9 Dividend Policy

The Company offers Accumulating Share Classes (Class A, A1, AD, AH, AO, B, B1, BD, BH, BO, C, CD, CH, CO, I, I1, ID, IH, IO, N, ND, NH, NO, S, SD, SO, Z, Z1, ZD, ZH and ZO) and Distributing Shares Classes (ADX, AHX, AOX, AX, BDX, BHX, BOX, BX, CHX, COX, CX, IHX, IOX, IX, NHX, NOX, NX, SOX, SX, ZHX, ZOX and ZX).

Income and capital gains arising in each Fund in relation to Accumulating Share Classes will be reinvested in such Fund. The value of the Shares of each such Class will reflect the capitalisation of income and gains. The Directors currently intend to propose to the Annual General Meeting the reinvestment of the net results of the year for all such Classes of Shares. However, should payment of a dividend in respect of any such Classes of Shares be considered to be appropriate, the Directors will propose to the general meeting of Shareholders that a dividend be declared out of the net investment income attributable to such Class of Shares and available for distribution and/or realised capital gains after deduction of realised capital losses and unrealised capital gains after deduction of unrealised capital losses.

For the Distributing Share Classes of the Bond Funds, Equity Funds, Asset Allocation Funds and Alternative Investment Funds, the Company intends to declare dividends which will be equal to at least 85% of the net investment income attributable to such Classes. For the Distributing Share Classes of the Liquidity Funds, the Company intends to declare dividends which will be equal to the net investment income attributable to such Classes and realised capital gains, reduced by realised losses, if any. In the case of the Liquidity Funds, such dividends, if any, will be declared on each Dealing Day. The dividend declaration in the case of the Liquidity Funds for Distributing Share Classes (as applicable), will be made public at the registered office of the Company and made available at the offices of the Transfer Agent on each Dealing Day.

In the case of the Equity Funds, Bond Funds, Asset Allocation Funds and the Alternative Investment Funds, such dividends, if any, will be accrued on the last Dealing Day of June and December and declared on the next Dealing Day. In the case of the Emerging Markets Corporate Debt Fund and the Euro Strategic Bond Fund, such dividends, if any, will be accrued on the last Dealing Day of March, June, September and December and declared on the next Dealing Day. The dividend declaration for Distributing Share Classes (as applicable) of the Equity Funds, Bond Funds, Asset Allocation Funds and Alternative Investment Funds, where issued, will be made public at the registered office of the Company and made available at the offices of the Transfer Agent on the first Dealing Day of July and January, except for the Emerging Corporate Debt and the Euro Strategic Bond Fund for which such dividend declaration, where issued, will be made public on the first Dealing Day of January, April, July and October as applicable.

Dividends which should have been declared on a day which is not a Dealing Day will be accrued and declared in the case of the Liquidity Funds on the succeeding Dealing Day. Income earned by a Bond Fund, Equity Fund, Asset Allocation Fund or Alternative Investment Fund on a day which is not a Dealing Day will be included in the Net Asset Value of that Fund on the succeeding Dealing Day.

Dividends will be distributed on the last Dealing Day of the month in the case of the Liquidity Funds and within three Business Days of the date such dividends are declared, in the case of the Equity Funds, Bond Funds, Asset Allocation Funds and Alternative Investment Funds. Dividends will be automatically reinvested in additional Shares of the relevant Class free of any charge unless (i) the Shareholder has nominated on the Application Form to receive such dividends in cash and (ii) the value of the dividends to be distributed for that month or half year, as applicable, is in excess of US$200.00, or the Euro or the Sterling equivalent of US$200.00. For those Shareholders who elect to receive dividends in cash and whose dividend accrual for that month or half year, as applicable, is in excess of US$200.00, or the Euro or the Sterling equivalent of US$200.00, the Shares reinvested and credited during the month or half year, as applicable, will be redeemed at the applicable Net Asset Value calculated for the last Dealing Day. The proceeds will be paid to the Shareholder in the Reference Currency of the relevant Fund, or in Sterling, Euro or USD in the case of the Equity, Bond, Alternative Investment and Asset Allocation Funds if the Shareholder's initial investment was made in Sterling, Euro or USD respectively. For those Shareholders whose dividend accrual for that month or half year, as applicable, is less than US$200.00, or the Euro or the Sterling equivalent of US$200.00, the dividends will be automatically reinvested in additional Shares of the relevant Class free of any charge. The Directors may, following a Shareholder's request, at their discretion, decide to waive or vary the limit below which a dividend accrual is automatically reinvested.

The Dealing Day applicable for such automatic reinvestment will be the last Dealing Day of the relevant month in the case of the Liquidity Funds, the first Dealing Day of January, April, July or October in the case of the Emerging Markets Corporate Debt Fund and the Euro Strategic Bond Fund and the first Dealing Day of January or July in the case of the remaining Equity Funds, Bond Funds, Asset Allocation Funds and Alternative Investment Funds.

Income equalisation is operated in respect of all Distributing Share Classes of all Funds. For such Share Classes, equalisation ensures that the income per Share which is distributed in respect of a distribution period is not impacted by changes in the number of Shares in issue in that Share Class during the period. Equalisation is operated by the Administrator, who allocates a portion of the proceeds from sales and costs of redemption of Shares – equivalent on a per Share basis to the amount of undistributed net investment income on the date of the subscription or redemption – to undistributed income.

In the event that a dividend is paid in one or several Funds, such dividend will be paid to Shareholders by cheque mailed to their address as shown on the register of Shareholders, or by bank transfer. Dividend cheques not cashed within five years will be forfeited and will accrue for the benefit of the Class of the Fund out of which the dividend is payable.

2.10 Taxation

The statements on taxation set out below are by way of a general guide to potential investors and Shareholders only regarding the law and practice in force in the relevant jurisdiction at the date of this Prospectus and do not constitute tax or legal advice and the investors should consult their own counsel and make their own enquiries, as to tax matters concerning their investment. There can be no guarantee that the tax position or proposed tax position prevailing at the time an investment is made will endure indefinitely. Neither the Company, the Subsidiary nor their advisors are liable for any loss which may arise as a result of current, or changes in, applicable tax laws, practice and their interpretation by any relevant authority.

TAXATION OF THE COMPANY IN LUXEMBOURG

Under current law, the Company is not liable to any Luxembourg income tax, nor are dividends paid by the Company liable to any Luxembourg withholding tax (subject to the section below referring to the European Union Savings Directive).

The Company is, however, liable to annual subscription tax in Luxembourg *(taxe d'abonnement)* calculated at a rate of 0.01% of the net asset value of the Liquidity Funds and 0.05% of the net asset value of all other Funds, save where and to the extent that particular Share Classes of such other Funds are entitled to benefit from a reduced subscription tax rate of 0.01% pursuant to Article 129 of the law of 20th December 2002 on undertakings for collective investment (as amended) (as described below).

The Company will seek to obtain the benefit of a reduced subscription tax rate of 0.01% for Class Z, Z1, ZD, ZH, ZHX, ZO, ZOX, ZX, S, SD, SO, SOX, SX, N, ND, NH, NHX, NO, NOX and NX Shares where the whole of the Share Class is held by institutional investors as provided by Article 129 of the law of 20th December 2002 on undertakings for collective investment (as amended). However, there can be no guarantee that the benefit of such reduced rate will be obtained or that, once obtained, it will continue to be available in the future.

Subscription tax is payable quarterly and is calculated by reference to the net assets of the relevant Fund or Share Class at the end of the quarter to which the tax relates.

Subscription tax is not payable on assets of the Funds comprising investments in other Luxembourg undertakings for collective investment which are themselves subject to the subscription tax.

No stamp duty or other tax will be payable in Luxembourg in connection with the issue of Shares of the Company. A fixed registration duty of Euro 75 will be levied upon amendments of the articles of incorporation of the Company.

Under current law in Luxembourg, no Luxembourg tax is payable on the realised capital appreciation of the assets of the Company.

The Company is considered in Luxembourg as a taxable person for value added tax ("**VAT**") purposes without any input VAT deduction right. A VAT exemption applies in Luxembourg for services qualifying as fund management services. Other services supplied to the Company could potentially trigger VAT and require the VAT registration of the Company in Luxembourg as to self-assess the VAT regarded as due in Luxembourg on taxable services (or goods to some extent) purchased from abroad.

No VAT liability arises in principle in Luxembourg in respect of any payments by the Company to its Shareholders, to the extent that such payments are linked to their subscription to the Company's shares and do not constitute the consideration received for any taxable services supplied.

TAXATION OF SHAREHOLDERS IN LUXEMBOURG

Under current legislation Shareholders are generally not subject to any capital gains or income tax in Luxembourg, except Shareholders who are resident in Luxembourg or who have a permanent establishment or a permanent representative in Luxembourg to which the Shares are attributable.

The information set forth above is based on present law and administrative practice and may be subject to modification.

Prospective Shareholders should inform themselves of, and where appropriate take advice on, the laws and regulations (such as those relating to taxation and exchange controls) applicable to the subscription, purchase, holding, redemption, conversion and otherwise disposing of Shares in the country of their citizenship, residence, domicile or incorporation. Prospective Shareholders should note that the information contained in this "Taxation" section of the Prospectus is a general guide only and does not discuss the local tax consequences that all Prospective Shareholders may be subject to.

GENERALLY

Investment income for dividends, gains and interest received by the Company may be subject to withholding taxes at varying rates; such withholding taxes may not be recoverable.

BELGIAN TAXATION

The Company is in the process of registering the Asian Property, Euro Corporate Bond, Emerging Markets Debt, Emerging Markets Domestic Debt, Global Convertible Bond and US Growth Funds with the Belgian Banking, Finance and Insurance Commission (the "CBFA"). Once the registration is complete, the Company will become subject to an annual tax, as from the year following its registration. The annual tax is due on the total net asset value of the Shares held in Belgium as at 31st December of the preceding year. Shares are considered held in Belgium if they are acquired through the intervention of a Belgian financial intermediary. The tax is payable at a rate of 0.08% per annum. The Company intends to charge this tax to the relevant Fund, however it will not be possible to specifically allocate this expense to Belgian Shareholders, so the tax will be borne by all Shareholders in the relevant Fund. It is not expected that the impact will exceed 0.01% per annum of the relevant Fund.

EUROPEAN UNION SAVINGS DIRECTIVE

Council Directive 2003/48/EC (the "EU Savings Directive") and related treaties apply where a paying agent established in an EU Member State or in certain dependent/associated territories or in certain third party States makes a payment of interest within the meaning of the EU Savings Directive (which includes redemption of Shares regarding certain Funds), to a beneficiary which is an individual or a residual entity (as described in Article 4.2 of the EU Savings Directive) resident or established in another EU Member State or in a dependent/associated territory. In such circumstances, the paying agent is required to report income received by Shareholders to the relevant tax authority (the "Disclosure of Information Method").

However, throughout a transitional period, certain EU Member States (Luxembourg and Austria), as well as certain non-EU Member States, which have signed an agreement with EU Member States (Switzerland, Liechtenstein, San Marino, Monaco and Andorra) for applying similar measures to the ones included in the EU Savings Directive, are allowed to withhold an amount on interest payments instead of using the Disclosure of Information Method, except if the beneficiaries of the interest payments opt for the Disclosure of Information Method. The rate of such withholding tax is currently 20% and will be increased up to 35% from 1st July 2011. Such transitional period will end if and when the European Community enters into agreements on exchange of information upon request with several jurisdictions (Switzerland, Liechtenstein, San Marino, Monaco and Andorra) and when the Council of the European Union agrees that the United States is committed to use the Disclosure of Information Method.

The EU Savings Directive and several agreements concluded between Luxembourg and certain dependant/associated territories of the European Union have been transposed into Luxembourg domestic law by the laws dated 21st June 2005 (the "Laws") which entered into force on 1st July 2005. Under the Laws, a Luxembourg paying agent (within the meaning of the EU Savings Directive) is required to withhold tax on interest and other similar income as defined hereafter paid by it to (or under certain circumstances, to the benefit of) an individual resident or established in another EU Member State or a Residual Entity in the sense of Article 4.2. of the EU Savings Directive, resident or established in another EU Member State, unless the beneficiary of the interest payments elects for an exchange of information. Interest as defined by the Laws encompasses income realised upon the sale, refund, redemption of shares or units held in a Luxembourg UCITS such as the Company, if it invests directly or indirectly more than 25% of its assets in debt claims within the meaning of the EU Savings Directive, as well as any income derived from debt claims otherwise distributed by a UCITS where the investment in debt claims of such a UCITS exceeds 15% of its assets.

The same regime applies to payments to individuals or Residual Entities resident or established in any of the dependent/associated territories, *i.e.* Aruba, British Virgin Islands, Guernsey, Isle of Man, Jersey, Montserrat, as well as the former Netherlands Antilles, *i.e.* Bonaire, Curaçao, Saba, Sint Eustatius and Sint Maarten.

On 15th September 2008 the European Commission issued a report to the Council of the European Union on the operation of the EU Savings Directive, which included the Commission's advice on the need for changes to the EU Savings Directive. On 13th November 2008, the European Commission published a detailed proposal for amendments to the EU Savings Directive. The European Parliament approved an amended version of this proposal on 24th April 2009. The Shareholders' attention is drawn on this proposal which aims at improving the efficiency of the measures set out in the EU Savings Directive which extend the application of the EU Savings Directive to interest payments made to certain interposed arrangements and to payments made under certain innovative financial products.

Shareholders should inform themselves of, and where appropriate take advice on, the impact of the EU Savings Directive on their investment.

Investment by the Equity Funds in debt claims (as defined by the EU Savings Directive) will be limited to 15% of Net Asset Value.

TAXATION OF THE SUBSIDIARY

The taxation of income and capital gains arising to the Subsidiary in respect of its investments in Indian securities is subject to the fiscal law and practice of Mauritius and India, as outlined further below.

a. Mauritian Tax Considerations

The summary below is based on law and practice as at the date of this document and may be subject to change.

The Subsidiary has received a Tax Residence Certificate ("TRC") issued by the Mauritius Revenue Authority ("MRA") on 23rd September 2010 which entitles it to some reliefs pursuant to the treaty.

Capital gains are exempt from Mauritian tax and any dividends paid by the Subsidiary to the Company are exempt in Mauritius from any withholding tax.

The Subsidiary is liable to pay income tax on its net income at a rate of 15%. Its net income is, however, entitled to a tax credit equivalent to the higher of actual foreign tax suffered or 80% of Mauritian tax payable in respect of its foreign source income thus reducing its maximum effective tax rate to 3%.

The TRC is renewed on an annual basis and it is intended that the Subsidiary will apply for renewal on expiry with the local authorities.

b. Indian Tax Considerations

The summary below is based on law and practice as at the date of this document and may be subject to change. This summary is not intended to constitute a complete analysis of the tax consequences under Indian law for the Subsidiary of the acquisition, ownership and sale of investments in Indian securities. Shareholders are advised to consult their own tax advisors with respect to the taxation consequences of the ownership or disposition of Shares.

Indian Income Tax

Indian income tax is imposed by reference to the provisions of the Indian Income Tax Act, which is amended every year by the Finance Act for that year.

The basis of the charge of Indian income tax depends upon the residential status of the taxpayer during a tax year and the nature of the income earned. The Indian tax year runs from 1st April in any year until 31st March in the following year. A company is a resident of India for the purposes of the Indian Income Tax Act if it is incorporated in India, or the control and the management of its affairs is situated wholly in India. It is intended that the Subsidiary will be treated as a non-resident for the purposes of the Indian Income Tax Act.

A company that is treated as a non-resident for Indian income tax purposes is generally subject to Indian income tax in accordance with the Indian Income Tax Act only on that company's Indian-sourced income or income received in India. Indian-sourced income or income received in India will include dividends declared by Indian companies or mutual funds, interest received in respect of debt instruments issued by Indian companies and capital gains arising on the transfer of Indian securities. The Indian income tax treatment of Indian-sourced dividends, interest and capital gains is described in more detail below.

i. Under current law, a dividend declared by an Indian company or mutual fund is not taxable in the hands of a corporate shareholder or unitholder and may be paid to a corporate shareholder or unitholder without withholding tax. The Indian company paying the dividend is subject to dividend distribution tax at the rate of 16.609% on the dividend distributed. Further, mutual funds, other than equity oriented mutual funds are subject to dividend distribution tax.

ii. Indian-sourced interest income earned by a non-resident that is a foreign institutional investor is taxable at a rate of 21.115% irrespective of the denomination of the debt. The Subsidiary should be a foreign institutional investor/sub-account of a foreign institutional investor for these purposes.

iii. Gains arising on the sale of securities (including shares) of Indian companies held by a non-resident as capital assets would normally be subject to Indian income tax. The Indian income tax treatment of such gains (and the rate of tax applied to those gains) will vary depending on the nature of the securities, the period for which the securities were held by the non-resident and whether securities transaction tax has not been paid on the transaction (please refer to the disclosure re securities transaction tax in paragraph (d) below). For example, gains arising from transactions in unlisted equity shares that have been held by a non-resident that is a foreign institutional investor for a period of 12 months or less are subject to tax at 31.673%. Where unlisted equity shares are held by a non-resident that is a foreign institutional investor for a period of more than 12 months, any gains arising on the sale of those shares would be subject to tax at 10.558%.

Indian income tax imposed by the Indian Income Tax Act on a non-resident may be reduced or eliminated by the provisions of an applicable double tax treaty.

A non-resident is required to discharge its tax liabilities for the financial year prior to remittance of the proceeds out of India or before the specified advance tax due dates, whichever is earlier.

The Draft Direct Taxes Code Bill, 2010 has been recently tabled in the Parliament which could substantially change the Indian tax system if enacted. However, the tax considerations discussed above are based on the current Indian Income Tax Act. This may impact the taxation of the Subsidiary in India, but at this stage it is unclear what those impacts would be. The intended implementation date for the new Tax Code is 1st April 2011.

c. India-Mauritius Treaty

Indian income tax imposed by the Indian Income Tax Act on Indian-sourced income earned by a Mauritius tax resident may be reduced or eliminated by the double tax treaty concluded between India and Mauritius on 24th August 1982 (the "India-Mauritius Treaty").

The Central Board of Direct Taxes in India has issued a circular ("Circular 789") confirming that, if the MRA issues a certificate of tax residence in respect of a person, that certificate constitutes sufficient prima facie evidence for according to that person the benefits available to a Mauritius resident under the provisions of the India-Mauritius Treaty. The Supreme Court of India has declared Circular 789 to be valid and efficacious and, as at the date of this document, the Circular is still valid and in force.

As noted above (see "Mauritian Tax Considerations"), the TRC must be renewed annually. A TRC will be issued by the MRA to the Subsidiary each year in order that the Subsidiary can continue to be treated for Indian income tax purposes as entitled to the benefits of the India-Mauritius Treaty. It is intended that the Subsidiary will apply to the MRA through the FSC for the renewal of the TRC each year before the expiry date thereof. The application will be processed subject to the Subsidiary being in good standing with the FSC. The latest TRC of the Subsidiary is dated 23rd September 2010 and is valid for the period from 14th September 2010 to 13th September 2011.

On the basis that the Subsidiary continues to hold a valid certificate of tax residence issued by the MRA (and so is entitled to the benefits of the India-Mauritius Treaty) and has no permanent establishment in India:

i. Dividend income earned by the Subsidiary from investments in equity shares of the Indian companies will be exempt from tax in the hands of the Subsidiary in accordance with the Indian Income Tax Act.

ii. Indian-sourced interest income earned by the Subsidiary will be subject to Indian income tax in accordance with the provisions of the Indian Income Tax Act as discussed in paragraph b(ii) above.

iii. Any capital gains earned by the Subsidiary on disposal of Indian securities will not be liable to tax in India, pursuant to the provisions of the India-Mauritius Treaty.

iv. Any "business income" (not being in the nature of dividends, interest or royalties) earned by the Subsidiary will only be subject to Indian income tax to the extent that that business income is attributable to a permanent establishment of the Subsidiary in India. Business income attributable to such a permanent establishment will be taxed in India at the rate of 42.23% on a net basis. As it is intended that the Subsidiary will not have a permanent establishment in India, any such business income should not be subject to tax in India.

There can be no assurance that any future changes to, or to the interpretation of, the India-Mauritius Treaty will not adversely affect the tax position of the Subsidiary's investments in India.

d. Securities Transaction Tax

All transactions entered into on a recognised stock exchange in India are subject to a securities transaction tax levied on the transaction value at the applicable rates.

Where a purchase or sale of equity shares or units of closed ended equity oriented mutual funds is settled by way of actual delivery or transfer of the relevant shares or units, securities transaction tax is levied at the rate of 0.125% of the consideration given for the sale and is payable by both the buyer and seller of the shares or units. Where such a sale or purchase is not settled by way of actual delivery or transfer, securities transaction tax is levied at the rate of 0.025% of the consideration given for the sale and is payable by the seller of the relevant shares or units. Sellers of derivatives being futures and options are subject to securities transaction tax at the rate of 0.017% on the price at which future is traded or on the option premium. Further, where the options are exercised, the purchasers of options are subject to securities transaction tax at the rate of 0.125% on the settlement price. Redemptions of units in an open ended equity oriented mutual fund are subject to securities transaction tax at the rate of 0.25% of the redemption proceeds.

Securities transaction tax is not applicable to transactions in debt securities, to primary issuances of equity shares by an Indian company or to transactions that are not undertaken on a recognised Indian stock exchange.

2.11 Pooling

For the purpose of effective management, and subject to the provisions of the Articles of Incorporation of the Company and to applicable laws and regulations, the Directors may invest and manage all or any part of the portfolio of assets established for two or more Funds (for the purposes hereof "Participating Funds") on a pooled basis. Any such asset pool shall be formed by transferring to it cash or other assets (subject to such assets being appropriate with respect to the investment policy of the pool concerned) from each of the Participating Funds. Thereafter, the Directors may from time to time make further transfers to each asset pool. Assets may also be transferred back to a Participating Fund up to the amount of the participation of the Class concerned.

The Share of a Participating Fund in an asset pool shall be measured by reference to notional units of equal value in the asset pool. On formation of an asset pool, the Directors shall, in their discretion, determine the initial value of notional units (which shall be expressed in such currency as the Directors consider appropriate) and shall allocate to each Participating Fund units having an aggregate value equal to the amount of cash (or to the value of other assets) contributed. Thereafter, the value of the notional unit shall be determined by dividing the net asset value of the asset pool by the number of notional units subsisting.

When additional cash or assets are contributed to or withdrawn from an asset pool, the allocation of units of the Participating Fund concerned will be increased or reduced, as the case may be, by a number of units determined by dividing the amount of cash or the value of assets contributed or withdrawn by the current value of a unit. Where a contribution is made in cash, it will be treated for the purpose of this calculation as reduced by an amount which the Directors consider appropriate to reflect fiscal charges and dealing and purchase costs which may be incurred in investing the cash concerned; in the case of cash withdrawal, a corresponding addition will be made to reflect costs which may be incurred in realising securities or other assets of the asset pool.

Dividends, interest and other distributions of an income nature received in respect of the assets in an asset pool will be immediately credited to the Participating Funds in proportion to their respective participation in the asset pool at the time of receipt. Upon the dissolution of the Company, the assets in an asset pool will be allocated to the Participating Funds in proportion to their respective participation in the asset pool.

Within any pooling arrangement, the Custodian shall ensure that at all times it is able to identify the assets which are owned by each Participating Fund.

Section 3
3.1 General Information

THE SHARES

The Shares of any Fund, within a given Class, are freely transferable (with the exception that Shares may not be transferred to a Prohibited Person). Shareholders may convert all or part of their Shares of one Fund into other Class of Shares of that Fund or into the same Class of Shares, or other Classes of Shares of other Funds, provided that the Shareholder meets the eligibility criteria for the Class of Shares into which they are converting, as detailed in Section 2.1. Upon issue, the Shares are entitled to participate equally in the profits and dividends of the Fund attributable to the relevant Class of Shares in which they have been issued as well as in the liquidation proceeds of such Fund.

The Shares do not carry any preferential or pre-emptive rights and each Share, irrespective of the Class to which it belongs or its Net Asset Value, is entitled to one vote at all general meetings of Shareholders. The Shares are issued without par value and must be fully paid.

LUXEMBOURG STOCK EXCHANGE LISTING

Classes of Shares may be listed on the Luxembourg Stock Exchange as determined by the Directors from time to time.

ISIN CODES

ISIN Codes for the Company's Share classes are available on www.morganstanleyinvestmentfunds.com.

EUROCLEAR AND CLEARSTREAM

The following Classes of Shares cannot be traded via Euroclear: Classes ADX, AHX, AX, B, B1, BDX, BH, BHX, BX, C, CH, CHX, CX, IHX, IX, N, NH, NHX, NX, S, SX, ZHX and ZX and the Share Classes of the Liquidity Funds.

The following Classes of Shares cannot be traded via Clearstream: Classes B, B1, BDX, BH, BHX, BX, C, CH, CHX, CX, N, NH, NHX, NX, S and SX and all Distributing Share Classes of the Liquidity Funds.

Fractions of Shares cannot be held if a Shareholder holds Shares through Euroclear. If for example Shares are transferred by a Shareholder to a Euroclear account the Shares will be rounded down to the nearest whole Share and any fractions of Shares that remain after the transfer may be redeemed by the Company and the redemption proceeds paid to the Shareholder.

THE COMPANY

The Company has been incorporated under the laws of the Grand Duchy of Luxembourg as a *"société d'investissement à capital variable"* (SICAV) on 21st November 1988 for an unlimited period. The capital may not, at any time, be less than the equivalent in US Dollars of 1,250,000.00 Euro.

The Articles of Incorporation have been deposited with the Luxembourg Trade and Companies' Register and have been published in the *Recueil des Sociétés et Associations* (the "Mémorial") of 11th January 1989. The Company has been registered with the Luxembourg Trade and Companies' Register under number B 29192.

At a meeting held on 28th November 2005, the Company was submitted to the provisions of Part I of the Law of 20th December 2002 on undertakings for collective investment (as amended), that implements Directives 2001/107/EC and 2001/108/EC. The Articles of Incorporation have been lastly amended by an extraordinary shareholders' meeting held on 1st July 2008. The amendments thereto were published in the Mémorial on 30th July 2008.

The Directors shall maintain for each Fund a separate pool of assets. As between Shareholders, each pool of assets shall be invested for the exclusive benefit of the relevant Fund.

The assets of the Company shall be segregated on a Fund by Fund basis with third party creditors only having recourse to the assets of the relevant Fund.

THE DIRECTORS OF THE COMPANY

The Directors of the Company hereinafter are responsible for the overall investment policy, objective and management of the Company and for its administration.

Directors who are not directors, officers or employees of the Investment Adviser or any affiliate will be entitled to receive remuneration from the Company as disclosed in the Annual Report.

THE COMPANY'S DIRIGEANTS

The Directors have appointed two dirigeants in accordance with the requirements on the Law of 20th December 2002 on undertakings for collective investment (as amended).

THE SUBSIDIARY

The Directors of the Morgan Stanley SICAV (Mauritius) Limited (the "Subsidiary"), whose names appear at the end of this section 3.1. "General information", under "Directors of the Subsidiary", accept responsibility for the information contained in this section of the Prospectus. To the best of the knowledge and belief of the Directors of the Subsidiary (who have taken all reasonable care to ensure that such is the case) the information contained in this section is in accordance with the facts and does not omit anything likely to affect the import of such information. Unless otherwise indicated herein, the opinions expressed in this section are those of the Directors of the Subsidiary.

The FSC of Mauritius has granted a Category 1 Global Business Licence to the Subsidiary under the Financial Services Act 2007 (currently in force in Mauritius and as may be amended from time to time). **It must be distinctly understood that, in giving this**

licence, the FSC of Mauritius does not vouch for the financial soundness of this section or the correctness of any statement made or opinion expressed with regard to the Subsidiary.

The Company is not protected by any statutory compensation arrangements in Mauritius in the event of the Subsidiary's failure.

The Indian Equity Fund currently invests through the Subsidiary. The Subsidiary, incorporated on 14th August 2006 as an open ended private company under the laws of Mauritius, is a wholly owned subsidiary of the Company.

Following a change in the legislation in Mauritius, the Subsidiary has applied for and obtained authorisation from the FSC of Mauritius to operate as a collective investment scheme (an authorisation issued under Section 97 of the Securities Act 2005, as amended by Securities (Amendment) Act 2007 (hereinafter referred to as "Securities Act 2005") which is currently in force in Mauritius and as may be amended from time to time. The Subsidiary has also obtained authorisation to operate as an Expert Fund under Regulation 69 of The Securities (Collective Investment Schemes and Close-End Funds) Regulations 2008 (hereinafter referred to as "Regulations 2008") which is currently in force in Mauritius and as may be amended from time to time.

Application for shares in the Subsidiary can only be made by Expert Investors as defined in the Regulations 2008 as follows:

An Expert Investor is an investor who makes an initial investment, for his own account, of no less than USD 100,000, or a sophisticated investor as defined in the Securities Act 2005 or any similarly defined investor in any other securities legislation and includes:

a) the Government of Mauritius;

b) a statutory authority or an agency established by an enactment for a public purpose;

c) a company, all the shares in which are owned by the Government of Mauritius or a body specified in paragraph (b) above;

d) the government of a foreign country, or an agency of such government;

e) a bank under the Banking Act 2004 of Mauritius;

f) a Collective Investment Manager ("CIS" manager licence issued under the Securities Act 2005);

g) an insurer licensed under the Insurance Act 2005 currently in force in Mauritius and as may be amended from time to time;

h) an investment adviser who holds an investment adviser licence issued by the FSC of Mauritius;

i) an investment dealer who holds an investment dealer licence issued by the FSC of Mauritius; or

j) a person declared by the FSC to be a sophisticated investor.

The reference currency of the Subsidiary is USD. The business of the Subsidiary is to carry on investment activities exclusively on behalf of the Company in relation to the Indian Equity Fund.

The Directors of the Subsidiary are responsible for the overall investment policy, objective and management of the Subsidiary and for its administration. Investment is made via the Subsidiary to facilitate efficient management of the Indian Equity Fund.

The underlying investments of the Subsidiary comply with the investment guidelines and restrictions applicable to the Company.

The costs and expenses borne by the Subsidiary shall be allocated to the Indian Equity Fund, which shall invest its assets through the Subsidiary.

As required by the FSC of Mauritius, all investments held outside of Mauritius must be made through a bank account maintained in Mauritius.

Pursuant to the agreement dated 31st January 1997 (as amended) the Investment Adviser provides investment advisory and management services to the Subsidiary. The Investment Adviser has obtained approval from the Securities and Exchange Board of India and the Reserve Bank of India to invest in India on behalf of approved client accounts as an FII. The Subsidiary is registered as a Foreign Institutional Investor "FII" sub-account of the Investment Adviser's licence and has been granted approval to invest in Indian securities.

As a non Indian foreign investor, under Indian law the Subsidiary must use a designated remitting bank in India for all cash transfers into and out of India. The Subsidiary has appointed HSBC Mumbai as its remitting bank in India (which may have reporting obligations to the Reserve Bank of India with regard to the handling of such transactions).

The Custodian has been appointed as custodian of the Subsidiary and all cash, securities and other assets of the Subsidiary are held by the Custodian (or its correspondent banks) on behalf of the Company.

The Subsidiary has appointed Multiconsult Limited under an agreement dated 15th September 2006 to act as administrator, secretary and registrar to the Subsidiary.

As a wholly owned subsidiary of the Company, all assets and liabilities, income and expenses of the Subsidiary are consolidated in the statement of net assets and operations of the Company. All investments held by the Subsidiary are disclosed in the financial statements and accounts of the Company.

The Subsidiary incurs and pays certain fees and expenses relating to its investment activity in India. These fees and expenses may include brokerage costs and commissions, transaction costs associated with converting currency to and from Indian Rupee to US Dollars, fees incurred by its standing proxy, corporate and registration fees and taxes associated with the establishment and operation of the Subsidiary.

THE INVESTMENT ADVISER

The Directors of the Company (and as appropriate of the Subsidiary) are responsible for determining the investment policy of the different Funds and for the overall management and administration of the Company.

In determining the investment policies of the Funds, the Directors will be assisted by an Investment Adviser (the "Investment Adviser").

Under an agreement dated 31st January 1997 (as amended), Morgan Stanley Investment Management Inc., of 522 Fifth Avenue, New York, NY 10036, USA, has been appointed Investment Adviser with responsibility for advising the Company and the Subsidiary, when appropriate, within the scope of day-to-day management of the various Funds. For its services, the Investment Adviser receives an annual fee, payable monthly, the details of which are set forth herein under the Section 2.5 "Charges and Expenses".

The agreement between the Company, the Subsidiary and the Investment Adviser provides that it is to remain in force for an unlimited period and may be terminated at any time by either party to the agreement upon three months' prior written notice.

The Investment Adviser has been appointed to advise the Company and the Subsidiary, when appropriate, and, subject to the Company's and where appropriate the Subsidiary's overall control and supervision, to provide advice in connection with the day-to-day management in respect of the various Funds.

Subject to an express delegation given by the Directors of the Company and the Subsidiary, the Investment Adviser, pursuant to the agreement mentioned above, may furthermore have discretion, on a day-to-day basis and subject to the overall control of the Directors, to purchase and sell securities as agent for the Company or the Subsidiary, as appropriate, and otherwise to manage the portfolios of the different Funds for the account and in the name of the Company and the Subsidiary in relation to specific transactions.

During the term of any such specific delegation, the Investment Adviser will be authorised to act on behalf of the Company and the Subsidiary and to select agents, brokers and dealers through whom to execute transactions and provide the Directors with such reports as they may require.

The Investment Adviser may delegate any of its responsibilities to any other party subject to approval by the Directors and the CSSF but the Investment Adviser shall remain responsible for the proper performance by such party of those responsibilities.

Morgan Stanley Investment Management Inc. is a wholly-owned subsidiary of Morgan Stanley which was incorporated in 1980 under the laws of the United States. Its Board of Directors is currently composed of Edmond Moriarty, Sara Furber and Jim Janover.

SUB-ADVISERS

Pursuant to a Sub-Advisory Agreement dated 31st January 1997, the Investment Adviser has appointed Morgan Stanley Investment Management Limited in London as a Sub-Adviser to advise on such of the Funds as are agreed from time to time.

Pursuant to a Sub-Advisory Agreement dated 31st January 1997, the Investment Adviser has appointed Morgan Stanley Investment Management Company in Singapore as a Sub-Adviser to advise on such of the Funds as are agreed from time to time.

Subject to an express delegation given by the Investment Adviser, pursuant to the Agreements mentioned above, the Sub-Advisers may have discretion, on a day-to-day basis and subject to the overall control of the Investment Adviser, to purchase and sell securities as agent for the Investment Adviser and otherwise to manage the Portfolios of the relevant Funds for the account and in the name of the Company, in relation to specific transactions. The fees of each Sub-Adviser will be paid by the Investment Adviser.

A summary of which Funds are currently advised by each of the Sub-Advisers is available from the registered office of the Company and is included in the Company's Annual and Semi-Annual Reports.

THE CUSTODIAN, ADMINISTRATOR AND PAYING AGENT

J.P. Morgan Bank Luxembourg S.A. (the "Custodian") has been appointed custodian of the assets of the Company and of the Subsidiary, which are held either directly by the Custodian or through depository agents or other agents agreed by the Company and the Subsidiary. The Custodian must in particular:

a) ensure that the sale, issue, repurchase and cancellation of the Shares effected by or on behalf of the Company are carried out in accordance with the Law and the Articles of Incorporation of the Company;

b) ensure that in transactions involving the assets of the Company and of the Subsidiary, the consideration is remitted to it within the usual time limits; and

c) ensure that the income of the Company and of the Subsidiary is applied in accordance with its Articles of Incorporation.

The Custodian's appointment is governed by an agreement dated 1st April 1998 (as amended). Under this agreement all securities, cash and other assets of the Company and of the Subsidiary are entrusted to the Custodian. The agreement may be terminated by either party upon three months' prior written notice.

Under an agreement dated 18th April 1998 (as amended), the Company and the Subsidiary have appointed J.P. Morgan Bank Luxembourg S.A. as its Administrator and Paying Agent, as appropriate, to administer the computation of the Net Asset Value per Share of the different Funds, and to perform other general administrative functions.

J.P. Morgan Bank Luxembourg S.A. was incorporated in Luxembourg as a public limited company *("société anonyme")* on 16th May 1973; it is licensed to engage in all banking operations under the laws of the Grand Duchy of Luxembourg. The Custodian has a fully paid up subscribed capital of USD 11 million.

THE DOMICILIARY AGENT

Pursuant to a Domiciliary Agreement dated 23rd March 2009, the Company has appointed Morgan Stanley Investment Management Limited, Luxembourg branch as its Domiciliary Agent to provide the Company's registered address, to store its corporate documents and to perform other related administrative functions.

THE REGISTRAR AND TRANSFER AGENT

Pursuant to a Registrar and Transfer Agency Agreement dated 31st January 1997 (as amended), the Company has appointed RBC Dexia Investor Services Bank S.A. in Luxembourg as its Registrar and Transfer Agent to administer the issue, conversion and redemption of Shares, the maintenance of records and other related administrative functions.

THE DISTRIBUTOR

Morgan Stanley Investment Management Limited (the "Distributor") will act as Distributor of the Shares of each Fund pursuant to a Distribution Agreement with the Company (the "Distribution Agreement"). The Distribution Agreement permits the Distributor to appoint other sub-distributors or dealers for the distribution of Shares. Shares also may be purchased directly from the Company.

DISSOLUTION

The Company has been established for an unlimited period of time. However, the Company may be dissolved and liquidated at any time by a resolution of the general meeting of Shareholders.

In the event of dissolution, the liquidator(s) appointed by the Shareholders of the Company in accordance with the Supervisory Authority will realise the assets of the Company in the best interests of the Shareholders, and the Custodian, upon instruction given by the liquidator(s), will distribute the net proceeds of liquidation (after deducting all liquidation expenses) among the Shareholders of each Class of Shares in proportion to their respective rights. As provided for by Luxembourg law, at the close of liquidation, the proceeds of liquidation corresponding to Shares not surrendered for repayment will be kept in safe custody at the *"Caisse de Consignations"* until the statute of limitation has lapsed. If an event requiring liquidation arises, issue, redemption, exchange or conversion of the Shares is void.

In the event that for any reason the value of the assets in any Fund or the value of the net assets of any Class of Shares within a Fund has decreased to an amount determined by the Directors to be the minimum level for such Fund to be operated in an economically efficient manner, as provided for under "Compulsory Redemption" heretofore, or if a change in the economic or political situation relating to the Fund concerned would have material adverse consequences on the investments of that Fund, the Directors may decide to compulsorily redeem all the Shares of the relevant Classes issued in such Fund at the Net Asset Value per Share (taking into account actual realisation prices of investments and realisation expenses), calculated at the valuation point at which such decision shall take effect. The Company shall serve a notice to the holders of the relevant Classes of Shares in writing prior to the effective date for the compulsory redemption, which will indicate the reasons for, and the procedure of, the redemption operations.

In addition, the general meeting of Shareholders of the Classes of Shares issued in any Fund may, upon proposal from the Directors, redeem all the Shares of the relevant Classes issued in such Fund and refund to the Shareholders the Net Asset Value of their Shares (taking into account actual realisation prices of investments and realisation expenses) calculated at the valuation point at which such decision shall take effect.

There shall be no quorum requirements for such general meeting of Shareholders which shall decide by resolution taken by simple majority of those present or represented.

Assets which may not be distributed to their beneficiaries upon the implementation of the redemption will be deposited with the Custodian for a period of six months thereafter; after such period, the assets will be deposited with the *Caisse de Consignations* on behalf of the persons entitled thereto.

All redeemed Shares shall be cancelled.

AMALGAMATION

In the event that for any reason the value of assets in any Fund or the value of the net assets of any Class of Shares within a Fund has decreased to, or has not reached, an amount determined by the

Directors to be the minimum level for such Fund or Class of Shares to be operated in an economically efficient manner (such amount currently being 100 million Euros, or its equivalent in the relevant reference currency of such Fund or Share Class) or in case of a substantial modification in the political, economic or monetary situation, or as a matter of economic rationalisation, the Directors may decide to allocate the assets of any Fund or Class of Shares to those of another existing Fund or Class of Shares within the Company or to another undertaking for collective investment organised under the provisions of Part 1 of the Law dated 20th December 2002 on undertakings for collective investment (as amended), or to another sub-fund or class of shares within such other undertaking for collective investment and to redesignate the Shares of the Class or Classes concerned as Shares of another Class (following a split or consolidation if necessary and the payment of the amount corresponding to any fractional entitlement to Shareholders). The Company must (i) provide one month's written notice of such amalgamation to all Shareholders of the Fund to be amalgamated such notice expiring on the following Dealing Day (the "Expiration Date") and (ii) amalgamate such Fund within one month following such Expiration Date. Shareholders will be notified in writing of any such amalgamation. Shareholders are entitled to request redemption or conversion of their Shares free of charge during the one month's notification period.

Notwithstanding the powers conferred to the Directors by the preceding paragraph, an amalgamation of Funds or Classes of Shares within the Company may be decided upon by a general meeting of the shareholders of the Class or Classes of Shares issued in the Fund concerned or Class or Classes of Shares concerned for which there shall be no quorum requirements and which will decide upon such an amalgamation by resolution taken simple majority of those present or represented. After the general meeting of shareholders, the Company must provide one month's written notice prior to such amalgamation to all Shareholders of the Fund to be amalgamated such notice expiring on the following Dealing Day (the "Expiration Date"). Shareholders are entitled to request redemption or conversion of their Shares free of charge during the one month's notification period.

GENERAL MEETINGS

The Annual General Meeting of Shareholders of the Company is held at the registered office of the Company on the second Tuesday of the month of May at 10.30 a.m.

Shareholders of any Class or Fund may hold, at any time, general meetings to decide on any matters which relate exclusively to such Fund or to such Class.

Notices of all general meetings are sent by mail to all registered Shareholders at their registered address at least eight days prior to the meeting. Such notice will indicate the time and place of the meeting, the conditions of admission thereto, will contain the agenda and refer to the requirements of Luxembourg law with regard to the necessary quorum and majorities at the meeting. To the extent required by law, further notices will be published in the Mémorial and in one Luxembourg newspaper.

ANNUAL AND SEMI-ANNUAL REPORTS

Audited reports to the Shareholders in respect of the preceding financial year of the Company, and the consolidated accounts of the Company, are made available at the registered office of the Company, of the Registrar and Transfer Agent and of the Distributor and shall be available at least eight days before the Annual General Meeting. In addition, unaudited semi-annual consolidated reports are also made available at such registered offices within two months after 30th June. The annual and semi-annual reports are also available on the Company's web-site (htpp://www.morganstanleyinvestmentfunds.com). The Company's financial year ends on 31st December. The Company's reference currency is USD.

The notice for the annual general meeting will contain an offer to provide to Shareholders upon request and free of charge a copy of the complete version of such annual and semi-annual reports.

In compliance with any applicable laws, Shareholders and third parties may, on request, receive additional information in relation to securities held by the Funds.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents may be inspected free of charge during usual business hours on any week day (Saturday and public holidays excepted) at the registered office of the Company: European Bank and Business Centre, 6B route de Trèves, L-2633 Senningerberg, Grand Duchy of Luxembourg.

a) the Articles of Incorporation of the Company;

b) the Articles of Incorporation of the Investment Adviser;

c) the material contracts referred to above;

d) the financial reports of the Company;

e) the Risk Management Paper of the Company.

The documents under (a) and (b) may be delivered to interested investors at their request.

PROBATE

Upon the death of a Shareholder, the Directors reserve the right to require the provision of appropriate legal documentation to evidence the rights of the Shareholder's legal successor.

Morgan Stanley Investment Funds

Société d'Investissement à Capital Variable R.C.S. Luxembourg B 29192

DIRECTORS OF THE COMPANY

Andrew Mack, Independent Director,
United Kingdom

Laurence Magloire, Executive Director,
Morgan Stanley Investment Management Limited, Luxembourg Branch

William Jones, Independent Director, Luxembourg

Michael Griffin, Independent Director, Dublin, Ireland

DIRIGEANTS

Laurence Magloire, Executive Director,
Morgan Stanley Investment Management Limited, Luxembourg Branch

Bryan Greener, Executive Director,
Morgan Stanley Investment Management Limited,
United Kingdom

DIRECTORS OF THE SUBSIDIARY

Deven Coopoosamy, Head of Business Development, CIM Global Business Companies, Mauritius

Abdool Azize Owasil, General Manager, MultiConsult Limited, Mauritius

Laurence Magloire, Executive Director,
Morgan Stanley Investment Management Limited, Luxembourg Branch

Andrew Mack, Independent Director, United Kingdom

William Jones, Independent Director, Luxembourg

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Morgan Stanley Investment Management Company
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16-01 Capital Square
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DISTRIBUTOR
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Grand Duchy of Luxembourg

ADMINISTRATOR AND PAYING AGENT OF THE COMPANY
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European Bank and Business Centre
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L-2633 Senningerberg
Grand Duchy of Luxembourg

DOMICILIARY AGENT OF THE COMPANY
Morgan Stanley Investment Management Limited,
Luxembourg Branch
European Bank and Business Centre
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Grand Duchy of Luxembourg

REGISTRAR AND TRANSFER AGENT OF THE COMPANY
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Grand Duchy of Luxembourg

ADMINISTRATOR OF THE SUBSIDIARY
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AUDITOR OF THE COMPANY
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AUDITOR OF THE SUBSIDIARY
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Cybercity
Ebene
Mauritius

LEGAL ADVISER OF THE COMPANY AS TO LUXEMBOURG LAW
Arendt & Medernach
14, rue Erasme
L-2082 Luxembourg
Grand Duchy of Luxembourg

Appendix A
Investment Powers and Restrictions

INVESTMENT AND BORROWING POWERS

1. The Company's Articles permit it to invest in transferable securities and other liquid financial assets, to the full extent permitted by Luxembourg law. The Articles have the effect that, subject to the law, it is at the Directors' discretion to determine any restrictions on investment or on borrowing or on the pledging of the Company's assets.

   For any Fund registered for sale with the Taiwan Financial Supervisory Commission, the total value of such Fund's non offset short position in derivatives for hedging purposes will not exceed the total market value of the relevant securities held by that Fund and the risk exposure of such Fund's non offset position in derivatives for purposes of increase of investment efficiency will not exceed 40% of the net asset value of that Fund. In calculating the percentage of derivatives for the purposes of this limit, where a Fund invests in currency forwards and/or currency swaps for risk hedging, if (i) the relevant hedging transactions are directly related to the instruments being hedged; and (ii) the amount and maturity of the hedging transactions do not exceed the amount and maturity of the investments being hedged, the amount of such currency forwards and/or currency swaps may be excluded from the calculation of the amount invested in derivatives.

INVESTMENT AND BORROWING RESTRICTIONS

The following restrictions apply to all investments by the Company except investments by the Company in any wholly-owned subsidiary.

2. The following restrictions of Luxembourg law and (where relevant) of the Directors currently apply to the Company:

   2.1 The investments of each Fund shall consist of:

   a) Transferable securities and money market instruments admitted to official listings on stock exchanges in Member States of the European Union (the "EU");

   b) Transferable securities and money market instruments dealt in on other regulated markets in Member States of the EU, that are operating regularly, are recognised and are open to the public;

   c) Transferable securities and money market instruments admitted to official listings on stock exchanges in any other country in Europe, Asia, Oceania, the American continents and Africa;

   d) Transferable securities and money market instruments dealt in on other regulated markets that are operating regularly, are recognised and open to the public of any other country in Europe, Asia, Oceania, the American continents and Africa;

   e) Recently issued transferable securities and money market instruments provided that the terms of the issue include an undertaking that application will be made for admission to the official listing on one of the stock exchanges as specified in a) and c) or regulated markets that are operating regularly, are recognised and open to the public as specified in b) and d) and that such admission is secured within a year of issue;

   f) Units of UCITS and/or other undertakings for collective investment ("UCIs") within the meaning of Article 1(2), first and second indents of Directive 85/611/EEC, as amended, whether they are situated in a Member State or not, provided that:

   - such other UCIs are authorised under laws which provide that they are subject to supervision considered by the CSSF to be equivalent to that laid down in Community law, and that cooperation between authorities is sufficiently ensured;
   - the level of protection for unitholders in the other UCIs is equivalent to that provided for unitholders in a UCITS, and in particular that the rules on asset segregation, borrowing, lending, and uncovered sales of transferable securities and money market instruments are equivalent to the requirements of Directive 85/611/EEC, as amended;
   - the business of the other UCIs is reported in half-yearly and annual reports to enable an assessment to be made of the assets and liabilities, income and operations over the reporting period;
   - no more than 10% of the UCITS' or the other UCIs' assets (or of the assets of any sub-fund thereof, provided that the principle of segregation of liabilities of the different compartments is ensured in relation to third parties), whose acquisition is contemplated, can, according to their constitutional documents, be invested in aggregate in units of other UCITS or other UCIs.

   g) deposits with credit institutions which are repayable on demand or have the right to be withdrawn, and maturing in no more than 12 months, provided that the credit institution has its registered office in an EU Member State or, if the registered office of the credit institution is situated in a non-Member State, provided that it is subject to prudential rules considered by the CSSF as equivalent to those laid down in Community law;

   h) financial derivative instruments, including equivalent cash-settled instruments, dealt in on a regulated market; and/or financial derivative instruments dealt in over-the-counter ('OTC derivatives'), provided that:

- the underlying consists of instruments described in sub-paragraphs (a) to (g) above, financial indices, interest rates, foreign exchange rates or currencies, in which the Company may invest according to its investment objectives;
- the counterparties to OTC derivative transactions are institutions subject to prudential supervision, and belonging to the categories approved by the CSSF and;
- the OTC derivatives are subject to reliable and verifiable valuation on a daily basis and can be sold, liquidated or closed by an offsetting transaction at any time at their fair value at the Company's initiative.

i) money market instruments other than those dealt in on a regulated market, which fall under Article 1 of the Law dated 20th December 2002 on undertakings for collective investment (as amended), if the issue or issuer of such instruments is itself regulated for the purpose of protecting investors and savings, and provided that they are:

- issued or guaranteed by a central, regional or local authority or central bank of an EU Member State, the European Central Bank, the EU or the European Investment Bank, a non-Member State or, in the case of a Federal State, by one of the members making up the federation, or by a public international body to which one or more Member States belong or;
- issued by an undertaking any securities of which are dealt in on regulated markets referred to in subparagraphs (a),(b) or (c) above, or;
- issued or guaranteed by an establishment subject to prudential supervision, in accordance with criteria defined by Community law, or by an establishment which is subject to and complies with prudential rules considered by the CSSF to be at least as stringent as those laid down by Community law or;
- issued by other bodies belonging to the categories approved by the CSSF provided that investments in such instruments are subject to investor protection equivalent to that laid down in the first, the second or the third indent and provided that the issuer is a company whose capital and reserves amount to at least EUR 10 million and which presents and publishes its annual accounts in accordance with Directive 78/660/EEC (1), is an entity which, within a group of companies which includes one or several listed companies, is dedicated to the financing of the group or is an entity which is dedicated to the financing of securitisation vehicles which benefit from a banking liquidity line.

2.2 Furthermore, each Fund may:

Invest no more than 10% of its net assets in securities and money market instruments other than those referred to in sub-paragraph 2.1 (a) to (i).

2.3 Each Fund may acquire the units of UCITS and/or other UCIs referred to in paragraph 2.1 (f), provided that the aggregate investment in UCITS or other UCIs does not exceed 10% of the net assets of each Fund. However, this restriction does not apply to Funds which are funds of funds and whose denominations include the term 'fund of funds'. In the case of funds of funds, a Fund may acquire units of UCITS and/or UCIs provided that no more than 20% of its assets are invested in the units of a single UCITS or other UCI. Investments made by funds of funds in units of UCIs other than UCITS may not in aggregate exceed 30% of the assets of the Fund.

When each Fund has acquired shares of UCITS and/or other UCIs, the assets of the respective UCITS or other UCIs do not have to be combined for the purposes of the limits laid down in paragraph 2.5.

When the Fund invests in the units of other UCITS and/or other UCIs that are managed, directly or by delegation, by the same investment manager or by any other company with which the investment manager is linked by common management or control, or by a substantial direct or indirect holding ("a substantial direct or indirect holding" is defined as more than 10% of the capital or voting rights), no subscription, redemption and management fees may be charged on the target fund level to the Company on its investment in the units of such other UCITS and/or UCIs.

2.4 A Fund may hold ancillary liquid assets.

2.5 A Fund may not invest in any one issuer in excess of the limits set out below:

a) Not more than 10% of a Fund's net assets may be invested in transferable securities or money market instruments issued by the same entity;

b) Not more than 20% of a Fund's net assets may be invested in deposits made with the same entity;

c) By way of exception, the 10% limit stated in the first paragraph of this section may be increased to:

- a maximum of 35% if the transferable securities or money market instruments are issued or guaranteed by an EU Member State, by its local authorities, by a non-Member State or by public international bodies to which one or more Member States belong;

- a maximum of 25% in the case of certain bonds when these are issued by a credit institution which has its registered office in an EU Member State and is subject by law to special public supervision designed to protect bond holders. In particular, sums deriving from the issue of these bonds must be invested in conformity with the law in assets which, during the whole period of validity of the bonds, are capable of covering claims attaching to the bonds and which, in the event of failure of the issuer, would be used on a priority basis for the reimbursement of the principal and payment of the accrued interest. When a Fund invests more than 5% of its net assets in the bonds referred to in this paragraph and issued by one issuer, the total value of these investments may not exceed 80% of the value of the net assets of such Fund.

d) The total value of the transferable securities or money market instruments held by a Fund in the issuing bodies in each of which it invests more than 5% of its net assets must not then exceed 40% of the value of its net assets. This limitation does not apply to deposits and OTC derivative transactions made with financial institutions subject to prudential supervision. The transferable securities and money market instruments referred to in the two indents set out in 2.5 (c) above shall not be taken into account for the purpose of applying the limit of 40% referred to in this paragraph.

Notwithstanding the individual limits laid down in sub-paragraphs 2.5 (a) to (d) above, a Fund may not combine:

- investments in transferable securities or money market instruments issued by a single entity; and/or
- deposits made with a single entity; and/or
- exposures arising from OTC derivative transactions undertaken with a single entity,

in excess of 20% of its net assets.

When a transferable security or money market instrument embeds a derivative, the latter must be taken into account when complying with the requirements of the above mentioned restrictions.

The limits provided for in sub-paragraphs 2.5 (a) to (d) above may not be combined, and thus investments in transferable securities or money market instruments issued by the same entity or in deposits or derivative instruments made with this entity carried out in accordance with paragraphs 2.5 (a) to (d) shall under no circumstances exceed in total 35% of the net assets of the Fund.

Companies which are included in the same group for the purposes of consolidated accounts, as defined in accordance with Directive 83/349/EEC or in accordance with recognised international accounting rules, are regarded as a single entity for the purpose of calculating the investment limits mentioned in sub-paragraphs 2.5 (a) to (d) above.

The Fund may not invest cumulatively more than 20% of its net assets in transferable securities or money market instruments of the same group subject to restrictions 2.5 (a) and the three indents under 2.5 (d) above.

Without prejudice to the limits laid down in paragraph 2.7 below, the limit of 10% laid down in sub-paragraph 2.5 (a) above is raised to a maximum of 20% for investment in equity and/or debt securities issued by the same body when the aim of the investment policy of a Fund is to replicate the composition of a certain equity or debt securities index which is recognised by the CSSF, on the following basis:

- the composition of the index is sufficiently diversified;
- the index represents an adequate benchmark for the market to which it refers;
- it is published in an appropriate manner.

This limit is 35% where that proves to be justified by exceptional market conditions in particular in regulated markets where certain transferable securities or money market instruments are highly dominant. The investment up to this limit is only permitted for a single issuer.

By way of derogation, each Fund is authorised to invest up to 100% of its net assets in different transferable securities and money market instruments issued or guaranteed by an EU Member State, its local authorities, by another member state of the OECD or public international bodies of which one or more EU Member States are members, provided that (i) such securities are part of at least six different issues and (ii) securities from any one issue do not account for more than 30% of the net assets of such Fund.

2.6 The Company may not invest in shares with voting rights enabling it to exercise significant influence over the management of the issuing body.

2.7 The Company may not:

a) Acquire more than 10% of the shares with non-voting rights of one and the same issuer.

b) Acquire more than 10% of the debt securities of one and the same issuer.

c) Acquire more than 25% of the units of one and the same undertaking for collective investment.

d) Acquire more than 10% of the money market instruments of any single issuer.

The limits stipulated in sub-paragraphs 2.7 (b) (c) and (d) above may be disregarded at the time of acquisition if, at that time, the gross amount of debt securities or of the money market instruments, or the net amount of securities in issue cannot be calculated.

2.8 The limits stipulated in paragraphs 2.6 and 2.7 above do not apply to:

a) Transferable securities and money market instruments issued or guaranteed by an EU Member State or its local authorities;

b) Transferable securities and money market instruments issued or guaranteed by a non-EU Member State;

c) Transferable securities and money market instruments issued by public international institutions to which one or more EU Member States are members;

d) Transferable securities held by a Fund in the capital of a company incorporated in a non-Member State investing its assets mainly in the securities of issuing bodies having their registered offices in that State, where under the legislation of that State such a holding represents the only way in which such Fund can invest in the securities of issuing bodies of that State. This derogation, however, shall apply only if in its investment policy the company from the non-Member State complies with the limits laid down in Articles 43, 46 and 48 (1) and (2) of the Law dated 20th December 2002 on undertakings for collective investment (as amended). Where the limits set in Articles 43 and 46 of the Law dated 20th December 2002 on undertakings for collective investment (as amended) are exceeded, Article 49 shall apply mutatis mutandis;

e) Transferable securities held by the Company in the capital of subsidiary companies carrying on only the business of management, advice or marketing in the country where the subsidiary is located, in regard to the repurchase of units at unitholders' request exclusively on its or their behalf.

2.9 The Company may always, in the interest of the shareholders, exercise the subscription rights attached to securities, which forms part of its assets.

When the maximum percentages stated in paragraphs 2.2 through 2.7 above are exceeded for reasons beyond the control of the Company, or as a result of the exercise of subscription rights, the Company must adopt, as a priority objective, sales transactions to remedy the situation, taking due account of the interests of its shareholders.

2.10 A Fund may borrow to the extent of 10% of its total net assets (valued at market value) provided these borrowings are made on a temporary basis. However, the Company may acquire for the account of a Fund foreign currency by way of back-to-back loan. Collateral arrangements with respect to the writing of options or the purchase or sale of forward or future contracts are not deemed to constitute "borrowings" for the purpose of this restriction.

2.11 The Company may not grant credit facilities nor act as guarantor on behalf of third parties, provided that for the purpose of this restriction (i) the acquisition of transferable securities, money market instruments or other financial investments referred to in sub-paragraphs 2.1 (f), (h) and (i) above, in fully or partly paid form and (ii) the permitted lending of portfolio securities shall be deemed not to constitute the making of a loan.

2.12 The Company undertakes not to carry out uncovered sales transactions of transferable securities, money market instruments or other financial instruments referred to in sub-paragraphs 2.1 (f), (h) and (i) above; provided that this restriction shall not prevent the Company from making deposits or carrying out accounts in connection with financial derivatives instruments, permitted within the limits referred to below.

2.13 The Company's assets may not include precious metals or certificates representing them or commodities.

2.14 The Company may not purchase or sell real estate or any option, right or interest therein, provided that the Company may invest in securities secured by real estate or interests therein or issued by companies which invest in real estate or interests therein.

2.15 The Company will in addition comply with such further restrictions as may be required by the regulatory authorities in any country in which the Shares are marketed.

2.16 The Company shall not issue warrants or other rights to subscribe for Shares in the Company to its Shareholders.

The Company, in each Fund may invest in warrants in a proportion not exceeding 10% of the relevant Fund's net assets in terms of the total amount of premium paid.

The Company shall take the risks that it deems reasonable to reach the assigned objective set for each Fund; however, it cannot guarantee that it shall reach its goals given stock exchange fluctuations and other risks inherent in investments in transferable securities.

3. DERIVATIVES AND FINANCIAL TECHNIQUES AND INSTRUMENTS

3.1 The Funds are authorised to use derivatives and financial techniques and instruments either for hedging or efficient portfolio management purposes including duration management or as part of their investment strategies as described in the Funds' investment objectives.

3.2 The Company must employ a risk-management process which enables it to monitor and measure at any time the risk of the positions and their contribution to the overall risk profile of the portfolio; it must employ a process for accurate and independent assessment of the value of OTC derivative instruments. It must communicate to the CSSF regularly and in accordance with the detailed rules defined by the latter, the types of derivative instruments, the underlying risks, the quantitative limits and the methods which are chosen in order to estimate the risks associated with transactions in derivative instruments.

3.3 In addition, the Company is authorized to employ techniques and instruments relating to transferable securities and to money market instruments under the conditions and within the limits laid down by the CSSF for the purpose of efficient portfolio management or for hedging purposes.

When these operations concern the use of derivative instruments, these conditions and limits shall conform to the provisions laid down in the Law. Under no circumstances shall these operations cause the Company to diverge from its investment policies and restrictions.

3.4 The Company will ensure that the global exposure relating to derivatives shall not exceed the total net value of a Fund. The exposure is calculated taking into account the current value of the underlying assets, the counterparty risk, future market movements and the time available to liquidate the positions.

The Funds may invest, as part of their investment policy and within the limits laid down in paragraph 2.5 (a) to (d) above in financial derivative instruments provided that the exposure to the underlying assets does not exceed in aggregate the investment limits laid down in paragraph 2.5. When a Fund invests in index-based financial derivative instruments, these investments do not have to be combined to the limits laid down in paragraph 2.5.

When a transferable security or money market instrument embeds a derivative, the latter must be taken into account when complying with the requirements of the above-mentioned restrictions.

3.5 The counterparty risk on any transaction involving OTC derivative instruments may not exceed 10% of the assets of a Fund when the counterparty is a credit institution domiciled in the EU or in a country where the CSSF considers that supervisory regulations are equivalent to those prevailing in the EU. This limit is set at 5% in any other case.

4. SECURITIES LENDING AND REPURCHASE ("REPO") TRANSACTIONS

The investment restrictions described under this section are the main applicable restrictions but are not exhaustive. All the applicable restrictions can be found in the CSSF Circular 08/356 as amended from time to time.

Those transactions shall exclusively be entered into for one or more of the following specific aims: (i) reduction of risk, (ii) reduction of cost and (iii) generation of additional capital or income for the Company with a level of risk which is consistent with the risk profile of the Company and its relevant Fund and the risk diversification rules applicable to them. Moreover those transactions may be carried out for 100% of the assets held by the relevant Fund provided (i) that their volume is kept at an appropriate level or that the Company is entitled to request the return of the securities lent in a manner that enables it, at all times, to meet its redemption obligations and (ii) that these transactions do not jeopardise the management of the Company' assets in accordance with the investment policy of the relevant Fund. Their risks shall be captured by the risk management process of the Company.

4.1 Securities lending transactions

The Company may enter into securities lending transactions provided that it complies with the following rules:

4.1.1 the Company may lend securities either directly or through a standardised system organised by a recognised clearing institution or a lending program organised by a financial institution subject to prudential supervision rules which are recognised by the CSSF as equivalent to those laid down in Community law and specialised in this type of transaction;

4.1.2 the borrower must be subject to prudential supervision rules considered by the CSSF as equivalent to those prescribed by Community law;

4.1.3 the counterparty risk of the Company vis-à-vis a single counterparty arising from one or more securities lending transaction(s) may not exceed 10% of the assets of the relevant Fund when the counterparty is a financial institution falling within section 2.1 (g) above, or 5% of its assets in all other cases;

4.1.4 as part of its lending transactions, the Company must receive collateral, the value of which, during the duration of the lending agreement, must be equal to at least 90% of the global valuation of the securities lent (interests, dividends and other eventual rights included);

4.1.5 such collateral must be received prior to or simultaneously with the transfer of the securities lent. When the securities are lent through the intermediaries referred to under 4.1.1 above, the transfer of the securities lent may be effected prior to receipt of the collateral, if the relevant intermediary ensures proper completion of the transaction. The collateral may be provided by such intermediary instead of the borrower;

4.1.6 the collateral must be given in the form of:

i) liquid assets such as cash, short term bank deposits, money market instruments as defined in Directive 2007/16/EC of 19th March 2007, letters of credit and guarantees at first demand issued by a first class credit institution not affiliated to the counterparty;

ii) bonds issued or guaranteed by a Member State of the OECD or by their local authorities or supranational institutions and undertakings with a European Union, regional or world-wide scope;

iii) shares or units issued by money market-type UCIs calculating a daily net asset value and having a rating of AAA or its equivalent;

iv) shares or units issued by UCITS investing mainly in bonds/shares mentioned under (v) and (vi) hereunder;

v) bonds issued or guaranteed by first class issuers offering an adequate liquidity; or

vi) shares admitted to or dealt in on a regulated market of a Member State of the European Union or on a stock exchange of a Member State of the OECD, provided that these shares are included in a main index.

4.1.7 the collateral given under any form other than cash or shares/units of a UCI/UCITS must be issued by an entity not affiliated to the counterparty;

4.1.8 when the collateral given in the form of cash exposes the Company to a credit risk vis-à-vis the trustee of this collateral, such exposure shall be subject to the 20% limitation as laid down in section 2.5 above. Moreover such cash collateral shall not be safekept by the counterparty unless it is legally protected from consequences of default of the latter;

4.1.9 the collateral given in a form other than cash shall not be safekept by the counterparty, except if it is adequately segregated from the latter's own assets;

4.1.10 the Company shall proceed to value the collateral received on a daily basis. In case the value of the collateral already granted appears to be insufficient in comparison with the amount to be covered, the counterparty shall provide additional collateral. If appropriate, safety margins shall apply in order to take into consideration exchange risks or market risks inherent to the assets accepted as collateral;

4.1.11 the Company shall ensure that it is able to claim its rights on the collateral in case of the occurrence of an event requiring the execution thereof, meaning that the collateral shall be available at all times, either directly or through the intermediary of a first class financial institution or a wholly-owned subsidiary of this institution, in such a manner that the Company is able to appropriate or realise the assets given as collateral, without delay, if the counterparty does not comply with its obligation to return the securities lent;

4.1.12 during the duration of the agreement, the collateral cannot be sold or given as a security or pledged, except if the Company has other means of coverage; and

4.1.13 the Company shall disclose the global valuation of the securities lent in the Annual and Semi-Annual Reports.

4.2 Repo transactions

The Company may enter into (i) repurchase transactions which consist of a forward transaction at the maturity of which the Company has the obligation to repurchase the assets sold and the buyer (counterparty) the obligation to return the assets received under the transaction and (ii) reverse repurchase agreement transactions, which consist of a forward transaction at the maturity of which the seller (counterparty) has the obligation to repurchase the assets sold and the Company has the obligation to return the assets received under the transaction (collectively, the "repo transactions").

The Company can act either as purchaser or seller in repo transactions. Its involvement in such transactions is however subject to the following rules:

4.2.1 the fulfilment of the conditions 4.1.2 and 4.1.3;

4.2.2 during the life of a repo transaction with the Company acting as purchaser, the Company shall not sell the securities which are the object of the contract, before the counterparty has exercised its option or until the deadline for the repurchase has expired, unless the Company has other means of coverage;

4.2.3 the securities acquired by the Company under a repo transaction must conform to the Fund's investment policy and investment restrictions and must be limited to:

i) short-term bank certificates or money market instruments as defined in Directive 2007/16/EC of 19th March 2007;

ii) bonds issued by non-governmental issuers offering an adequate liquidity; and

iii) assets referred to under 4.1.6 (ii), (iii) and (iv) above.

4.2.4 the Company shall disclose the total amount of the open repo transactions on the date of reference of its Annual and Semi-Annual Reports.

4.3 Reinvestment of the cash collateral

The Company may reinvest the collateral received in the form of cash under securities lending and/or repo transactions in:

i) shares or units of UCIs of the money market-type, calculating a daily net asset value and which have a rating of AAA or its equivalent;

ii) short-term bank deposits eligible in accordance with section 2 above;

iii) money market instruments as defined in Directive 2007/16/EC of 19th March 2007 and eligible in accordance with section 2 above;

iv) short-term bonds issued or guaranteed by a Member State of the European Union, Switzerland, Canada, Japan or the United States or by their local authorities or by supranational institutions and undertakings with a European Union, regional or world-wide scope and eligible in accordance with section 2 above;

v) bonds issued or guaranteed by first class issuers offering an adequate liquidity; and

vi) reverse repurchase agreements.

In addition, the conditions under 4.1.7, 4.1.8, 4.1.9 and 4.1.12 above, shall apply mutatis mutandis to the assets into which the cash collateral is reinvested. The reinvestment of the cash collateral is not subject to the diversification rules generally applicable to the Company, provided however, that the Company must avoid an excessive concentration of its reinvestments, both at issuer level and at instrument level (reinvestments in assets referred to under (i) and (ii) above are exempt from this requirement). The reinvestment of the cash collateral in financial assets providing a return in excess of the risk free rate shall be taken into account for the calculation of the Company's global exposure in accordance with section 3.4 above. The Annual and Semi-Annual Reports of the Company shall disclose the assets into which the cash collateral is re-invested.

Appendix B
Additional information for UK investors

MORGAN STANLEY INVESTMENT FUNDS
Société d'Investissement à Capital Variable Luxembourg

GENERAL
This Supplement should be read in conjunction with the Company's Prospectus, of which it forms part. References to the "Prospectus" are to be taken as references to that document as supplemented or amended hereby.

The Company is a recognised collective investment scheme for the purposes of section 264 of the Financial Services and Markets Act 2000 ("FSMA") of the United Kingdom. The Prospectus is distributed in the United Kingdom by or on behalf of the Company and is approved by Morgan Stanley Investment Management Limited, whose registered office is at 25 Cabot Square, Canary Wharf, London, E14 4QA. Morgan Stanley Investment Management Limited is regulated by the Financial Services Authority ("FSA"), for the purposes of section 21 of the FSMA. The registered office of the Company is at European Bank and Business Centre, 6B route de Trèves, L-2633 Senningerberg, Grand Duchy of Luxembourg.

Morgan Stanley Investment Management Limited is acting for the Company in relation to the Prospectus and matters relating thereto and it or any of its associates may have an interest or position in Shares of the Company. It is not acting for, or advising or treating as its customer any other person (unless other arrangements apply between Morgan Stanley Investment Management Limited and such person) in relation to investment in the Company.

IMPORTANT
A United Kingdom investor who enters into an investment agreement with the Company to acquire Shares in response to the Prospectus will not have the right to cancel the agreement under the cancellation rules made by the Financial Services Authority in the United Kingdom. The agreement will be binding upon acceptance of the order by the Company.

The Company does not carry on any regulated activity from a permanent place of business in the United Kingdom and United Kingdom investors are advised that most of the protections afforded by the United Kingdom regulatory system will not apply to an investment in the Company. Shareholders in the Company may not be protected by the Financial Services Compensation Scheme established in the United Kingdom.

Any investor wishing to make a complaint regarding any aspect of the Company or its operations may do so directly to the Company or to Morgan Stanley Investment Management Limited.

Potential investors should note that the investments of the Company are subject to normal market fluctuations and other risks inherent in investing in shares and other securities, in addition to the additional risks associated with investment in certain of the Funds, as described under "Investment Objectives and Policy" and "Risk Factors".

The value of investments and the income from them, and therefore the value of, and income from, the Shares of each Class can go down as well as up and an investor may not get back the amount he invests. Changes in exchange rates between currencies may also cause the value of the investment to diminish or increase.

PUBLICATION OF INFORMATION
The Net Asset Value per Share of each Class of Shares is available on each Dealing Day at the registered office of the Company and at the office of Morgan Stanley Investment Management Limited.

Shareholders may view the Net Asset Value per Share on the Company's web-site (http://www.morganstanleyinvestmentfunds.com).

UK TAXATION
The following information is based on the law in force in the United Kingdom ("UK") and published practice understood to be applicable on the date of this Supplement, is subject to changes therein and is not exhaustive. Unless expressly stated otherwise, it is intended to offer guidance only to UK resident, and (in the case of individuals) ordinarily resident and domiciled investors holding Shares as an investment as the absolute beneficial owners thereof on the UK taxation of the Company and such investors, but does not constitute legal or tax advice. The following summary is not a guarantee to any investor of the taxation results of investing in the Company and may not apply to certain categories of investors.

The rates, bases and levels of, and any relief from, taxation can change. Tax treatment depends on the individual circumstances of the investor, and investors and prospective investors should inform themselves of, and where appropriate take advice on, the tax consequences applicable to the subscription, purchase, holding, disposal and redemption of Shares and the receipt of distributions (whether or not on redemption) in respect of such Shares in the country of their citizenship, residence or domicile and any other country in which they are liable to taxation.

THE COMPANY
It is the intention of the Directors to conduct the affairs of the Company so that it does not become resident in the UK for taxation purposes. Accordingly, and provided that the Company does not carry on a trade in the UK (whether or not through a permanent establishment situated therein), the Company will not be liable to UK income tax or corporation tax on its income or gains earned on or derived from the Company's investments save for tax on certain income deriving from a UK source, for example, interest with a UK source (UK tax on this interest potentially being levied by withholding at source).

UK RESIDENT SHAREHOLDERS

Individual Shareholders that are resident or ordinarily resident in the UK for taxation purposes may, subject to their personal circumstances, be liable to UK income tax in respect of any dividends paid by the Company or any other income distributions made by the Company (whether or not reinvested). Individual investors should also refer to the section on anti-avoidance provisions below. Investors who are within the charge to UK corporation tax in respect of Shares in the Company will generally be exempt from corporation tax on dividends and other income distributions, unless the Bond Fund rules (described below) or other anti-avoidance provisions apply.

Special rules apply to insurance companies, pension schemes, investment trusts, authorised unit trusts and open-ended investment companies in the UK.

TAXATION OF FUNDS OTHER THAN BOND FUNDS

Investors within the charge to UK income tax may in certain circumstances be entitled to a non-payable tax credit which may be set off against their total income tax liability on the dividends or other income distributions. If applicable, the tax credit would be equal to 10% of the aggregate of the distribution and the tax credit, or one-ninth of the distribution received. Investors who are within the charge to UK corporation tax in respect of Shares in the Company will generally be exempt from corporation tax on dividends and other income distributions. For all investors investing in Bond Funds (as defined below), all distributions will be taxed as interest and will not carry a tax credit.

TAXATION OF BOND FUNDS

A fund is considered a bond fund for UK taxation purposes if the holding of a class of Shares in "qualifying investments" (as detailed below) at any time exceeds 60% of the market value of all investments held by that class of Shares. Given the current structure and investment objectives of certain Funds, these rules are likely to be relevant to certain classes of Shares in certain Funds.

"Qualifying investments" are: (a) money placed at interest (other than cash awaiting investment); (b) securities (other than shares in a company); (c) shares in a building society; (d) qualifying holdings in a unit trust scheme, an offshore fund or an open-ended investment company (this can be interpreted as a holding in a unit trust, offshore fund or OEIC which would itself fail the non-qualifying investment test in respect of its holdings of investments listed in (a) to (c) above or (e) to (h) below); (e) alternative finance arrangements; (f) derivative contracts in respect of currency or any of the matters listed in (a) to (e) above; (g) contracts for differences relating to interest rates, creditworthiness or currency; and (h) derivative contracts not within (f) or (g) where there is a hedging relationship between the derivative contract and an asset within (a) to (d) above.

An individual resident or ordinarily resident in the UK for taxation purposes who holds Shares of a bond fund will be taxed on dividends from that bond fund as if that payment was a payment of interest. As a result, no tax credit will attach to the payment for UK taxation purposes. These rules may apply to a dividend received by UK resident or ordinarily resident investor from a bond fund notwithstanding that it may have divested of its holding at the date it receives the dividend.

To the extent that payments of distributions or redemption proceeds made by a Luxembourg paying agent have been subject to withholding tax pursuant to the Law dated 21st June 2005 (by which Luxembourg implemented the EU Savings Directive), Shareholders resident in the UK may be able to obtain credit for or repayment of such withholding tax, depending on their circumstances.

A company resident in the UK for taxation purposes that holds Shares of a bond fund will be taxed on a fair value basis for each year of its investment as if its interest in the relevant Shares was a right under a creditor loan relationship. These rules will apply to a UK resident corporate investor if the 60% limit is exceeded at any time during that investor's accounting period, even if it was not holding Shares of that class at that time.

"REPORTING FUND" STATUS

On the basis that the Company provides arrangements for the separate pooling of the contributions of investors to the Company and the profits or income out of which payments are made to investors in the Company, the Company is an umbrella fund for United Kingdom tax purposes. In addition, all of the Funds within the Company consist of different classes of Shares. The United Kingdom offshore funds rules therefore apply in relation to each separate class of Shares, as if each class of Shares formed a separate offshore fund for United Kingdom tax purposes.

From 1st December 2009, a new regime for the taxation of UK resident or UK ordinarily resident Shareholders in offshore funds came into force. Rather than funds being certified as "distributing funds", they may be certified as "reporting funds". Investors in such funds should retain capital gains treatment on disposal of their holdings. The Company may decide to apply for "reporting fund" status in respect of both Distributing Share Classes and Accumulating Share Classes and intends to move to "reporting fund" status from 1st January 2010. The Company intends to seek annual certification from UK H.M. Revenue & Customs of "reporting fund" status for the share classes highlighted as such on www.morganstanleyinvestmentfunds.com. Details of the reportable income for such share classes will be made available on the above website within 6 months of the Company's year-end or the closure or merger of a relevant fund or share class. Any excess of reportable income over amounts paid out as distributions must be declared by UK investors on their own tax returns and will be taxed as dividends or interest, depending on whether the Fund is a Bond Fund or not. Shareholders without access to the internet may arrange to receive details of reportable income by alternative means by contacting Morgan Stanley Investment Management Limited. In all cases, there can, however, be no guarantee that "reporting fund" certification will be obtained.

If approval as a "reporting fund" is granted, "reporting fund" status will apply to Shares of that class for each period of account of the Company provided the Company continues to comply with the applicable rules in respect of Shares of that class and does not elect for Shares of that class to become a "non-reporting fund".

For so long as "reporting fund" status is maintained, any profit on a disposal of Shares of that class (for example, by way of transfer or redemption including switching between classes of Shares) by an investor should fall to be taxed as a capital gain (subject to the rules outlined below for corporate investors in Bond Funds).

If "reporting fund" status is not maintained for any accounting period (or is not initially sought or obtained) in respect of a class of Shares, any gain arising on a disposal of Shares of that class (for example, by way of transfer or redemption including switching between classes of Shares) will constitute income for all purposes of United Kingdom taxation.

ANTI-AVOIDANCE PROVISIONS

The attention of companies resident in the UK for taxation purposes is drawn to the "controlled foreign companies" provisions contained in Chapter IV of Part XVII of the Income and Corporation Taxes Act 1988. These provisions affect UK resident companies which are deemed to be interested, either alone or together with certain connected or associated persons, in at least 25% of the "chargeable profits" (not including capital gains) of a non-UK resident company (such as the Company) which (i) is controlled by companies or other persons who are resident in the UK for taxation purposes and (ii) is subject to a "lower level" of taxation in the territory in which it is resident. Investors should note that the UK Government is currently considering reform of these rules.

The attention of individuals ordinarily resident in the UK for taxation purposes is drawn to the provisions of Chapter 2 of Part 13 of the Income Tax Act 2007. These provisions are aimed at preventing the avoidance of income tax by individuals through transactions resulting in the transfer of assets or income to persons or companies resident or domiciled abroad, and may render them liable to income tax in respect of the undistributed income (if any) of the Company.

The attention of persons resident or ordinarily resident in the UK (and who, if individuals, are (i) also domiciled in the UK; or (ii) not domiciled in the UK and not subject to UK taxation on a remittance basis) is drawn to the fact that the provisions of section 13 of the Taxation of Chargeable Gains Act 1992 could be material to any such person who, either alone or together with certain "connected persons", holds 10% or more of the Shares in the Company if, at the same time, the Company is controlled in such a manner as to render it a company that would, were it to be resident in the UK, be a "close" company for UK taxation purposes. These provisions could, if applicable, result in such a person being treated for the purposes of UK taxation as if a proportionate part of any gain accruing to the Company (such as on a disposal of any of its investments) had accrued to that person at the time when the chargeable gain accrued to the Company.

STAMP DUTY

An instrument transferring Shares in the Company will, if executed in the UK, be liable to ad valorem stamp duty at the rate of 0.5% of the consideration paid, rounded up to the nearest £5.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents may be inspected free of charge during usual business hours on any week day (Saturday and public holidays excepted) at the offices of the Company and at the offices of Morgan Stanley Investment Management Limited.

a) the Articles of Incorporation of the Company;

b) the prospectus most recently issued by the Company;

c) the simplified prospectus most recently issued by the Company; and

d) the most recently published annual and half yearly reports relating to the Company.

The above documents may be delivered to interested investors at their request.

Appendix C
Additional information for Swiss investors

REPRESENTATIVE IN SWITZERLAND

The Representative in Switzerland is:

Morgan Stanley & Co. International plc, London, Zurich Branch, Bahnhofstrasse 92, 8001 Zurich.

PAYING AGENT IN SWITZERLAND

The Paying Agent in Switzerland is:

RBC Dexia Investor Services Bank S.A., Esch-sur-Alzette, Zurich Branch, Badenerstrasse 567, 8048 Zurich.

PLACE WHERE THE RELEVANT DOCUMENTS MAY BE OBTAINED

Copies of the Prospectus, the Simplified Prospectus, the Articles of Incorporation and the annual and semi-annual reports of the Company may be obtained free of charge from the Representative in Switzerland.

PUBLICATIONS

Announcements of the Company, in particular concerning amendments to the Articles of Incorporation and the Prospectus, will be published in the Swiss Official Gazette of Commerce ("SHAB") and on www.fundinfo.com.

The Net Asset Value of the Shares of each Fund, together with an indication "commissions excluded" will be published daily on www.fundinfo.com.

PAYMENT OF REMUNERATIONS AND DISTRIBUTION REMUNERATION

In connection with the distribution in Switzerland, reimbursements may be paid to the following qualified investors who, from a commercial perspective, hold Shares for third parties:

– life insurance companies;

– pension funds and other retirement provision institutions;

– investment foundations;

– Swiss fund management companies;

– foreign fund management companies and foreign fund companies;

– investment companies.

In connection with distribution in Switzerland, distribution remunerations may be paid to the following distributors and sales partners:

– distributors subject to the duty to obtain authorisation pursuant to Art. 19 para. 1 CISA;

– distributors exempt from the duty to obtain authorisation pursuant to Art. 19 para. 4 CISA and Art. 8 CISO;

– sales partners who place Shares exclusively with institutional investors with professional treasury facilities;

– sales partners who place Shares exclusively on the basis of a written asset management mandate.

PLACE OF PERFORMANCE AND PLACE OF JURISDICTION

In respect of the Shares distributed in or from Switzerland, the place of performance and the place of jurisdiction is at the registered office of the Representative in Switzerland.

Appendix D
Additional information for Irish investors

FACILITIES AGENT

The Company and J.P. Morgan Bank Luxembourg S.A. (the "Custodian Bank") have appointed J.P. Morgan Administration Services (Ireland) Limited in Dublin as facilities and paying agent (the "Facilities Agent") of the Company in Ireland.

The Facilities Agent shall provide the following facilities to investors at JP Morgan House, International Financial Services Centre, Dublin 1, Ireland:

i) the issuance or conversion of Shares, the payment of dividends, if any, and the payment of redemption or repurchase proceeds;

ii) during normal business hours, the inspection, free of charge and the supply of copies, if required, of the Prospectus, the Articles of Incorporation of the Company, the audited annual reports and the unaudited semi-annual reports. Such documents as well as any further documents mentioned in the Prospectus are available for inspection at the offices of the Facilities Agent provided the interested investor has given notice to the Facilities Agent;

iii) the receipt of complaints for forwarding to the Company.

ISSUE AND REDEMPTION OF SHARES, SUBSCRIPTION AND PAYMENT PROCEDURE

Applications for Shares and redemptions as well as for conversions may be made to the Transfer Agent in Luxembourg at the address below:

RBC Dexia Investor Services Bank S.A.
14, Rue Porte de France,
L-4360 Esch-sur-Alzette,
Grand Duchy of Luxembourg.
Tel (352) 25 47 01 9511, Fax (352) 2460 9902

as well as to the Facilities Agent in Ireland at the address below:

JP Morgan House,
International Financial Services Centre,
Dublin 1,
Ireland.

PUBLICATIONS

The Net Asset Value per Share of each Fund of each Class of Shares in respect of each Dealing Day, together with that day's dividend declaration for the Liquidity Funds are available at the registered office of the Company and at the office of Morgan Stanley Investment Management Limited.

Shareholders may view the Net Asset Value per Share on the Company's website (http://www.morganstanleyinvestmentfunds.com).

IRISH TAXATION

The following information is based on the law in force in Ireland on the date of this Prospectus. This summary deals only with Shares held as capital assets by Irish resident Shareholders and does not address special classes of Shareholders such as dealers in securities or persons that may be exempt from tax such as Irish pension funds and charities. This summary is not exhaustive and Shareholders are advised to consult their own tax advisors with respect to the taxation consequences of the ownership or disposition of Shares.

THE COMPANY

It is the intention of the Directors to conduct the affairs of the Company so that it is neither resident in Ireland nor carrying on a trade in Ireland. Accordingly, the Company will not be subject to Irish corporation tax.

IRISH INVESTORS

a) Reporting of acquisition

An Irish resident or ordinarily resident person acquiring Shares in the Company is required to disclose details of the acquisition in his annual tax return. Where an intermediary in the course of carrying on a business in Ireland acquires Shares in the Company it must report details of the acquisition to the Irish Revenue Commissioners.

b) Income and capital gains

An Irish resident corporate Shareholder will be liable to corporation tax at 25% on income distributions received from the Company.

Where an Irish resident or ordinarily resident person who is not a company holds Shares in the Company and receives an income distribution from the Company, provided he discloses the receipt of such income in his income tax return, he will be liable to income tax at 27% on the amount of such distribution.

An Irish resident corporate Shareholder which disposes of Shares in the Company will be liable for corporation tax at a rate of 30% on the amount of any gain arising. It should be noted that no indexation allowance is available.

Where an Irish resident or ordinarily resident person who is not a company disposes of a Share and discloses such information in a tax return, a liability to Irish tax at 30% will arise on the amount of the gain. No indexation allowance is available and the death of a Shareholder would constitute a deemed disposal of a Share.

There is a deemed disposal for the purposes of Irish tax of Shares held by an Irish resident investor on a rolling 8 year basis where the Shares are acquired on or after 1st January 2001. This deemed disposal takes place at market value so that Irish resident or ordinarily resident shareholders will be subject to tax at the rate of 30% on the increase in value of their Shares at 8 year intervals commencing on 8th anniversary of the date of acquisition of the Shares.

The following taxation consequences arise if the appropriate receipts or disposals are not disclosed by a Shareholder who is not a company in his annual tax return.

Where an Irish resident or ordinarily resident Shareholder receives an income distribution from the Company such person would be liable to income tax at that person's marginal income tax rate (currently up to 41%). Any gain arising on the disposal or part disposal of a Share, which includes a deemed disposal on the death of a Shareholder and the 8 year rolling deemed disposal outlined above, would be taxable at income tax rates (of up to 41%).

ANTI-AVOIDANCE PROVISION

There is an anti-avoidance provision imposing higher rates of tax on Irish resident investors in "personal portfolio investment undertakings" (**PPIU**). A PPIU is a fund in which the investor, or a person connected with the investor, has a right under the terms of the fund or any other agreement, to influence the selection of the assets of the fund. If a fund is treated as a PPIU the Irish resident investor can suffer tax at rates of up to 50% on amounts received from the fund, or on the rolling 8 year deemed disposal.

WITHHOLDING OBLIGATION ON PAYING AGENTS

If any dividend is paid through the Facilities Agent it is obliged to deduct tax from such dividend at the standard rate of income tax and account for this to the Irish Revenue Commissioners. The recipient of the dividend would be entitled to claim a credit for the sum deducted by the Facilities Agent against his tax liability for the relevant year.

STAMP DUTY

Transfers for cash of Shares in the Company will not be subject to Irish stamp duty.

GIFT AND INHERITANCE TAX

A gift or inheritance of Shares in the Company received from a person who is resident or ordinarily resident in Ireland or received by such a person will be within the charge to Irish capital acquisitions tax. Capital acquisitions tax is charged at a rate of 25% above a tax-free threshold which is determined by the amount of the benefit and of previous benefits within the charge to capital acquisitions tax, and the relationship between the person treated as disposing of such shares and the successor or donee.

TRANSFERS BETWEEN FUNDS

The Directors have been advised that in the Republic of Ireland the conversion of Shares from one Fund to another Fund will not in itself constitute a disposal of such Shares and will not give rise to a charge to tax.

Appendix E

Additional information for Chilean investors

All of the information provided by the Morgan Stanley Investment Funds (the "Company") for the purpose of registering the Shares on the Chilean Foreign Securities Registry (the "FSR"), maintained by the *"Superintendencia de Valores y Seguros"* of Chile (the "SVS"), including the special annex prepared for such registration is available to the public at the offices of (i) Santander Investment S.A. Corredores de Bolsa, (ii) Larrain Vial S.A. Corredora de Bolsa and (iii) Cruz del Sur Corredora de Bolsa S.A. at the addresses below.

Santander Investment S.A. Corredores de Bolsa
Bandera 140, Piso 14
Santiago
Chile

Telephone: (56-2) 3663400
Fax: (56-2) 6962097

Larraín Vial S.A. Corredora de Bolsa
El Bosque Norte 0177, Piso 3
Las Condes
Santiago
Chile

Telephone: (56-2) 3398617
Fax: (56-2) 3320131

Cruz del Sur Corredora de Bolsa S.A.
Magdalena 121
Las Condes
Santiago
Chile

Telephone: (56-2) 4618810

CURRENCY HEDGED SHARE CLASSES, DURATION HEDGED SHARE CLASSES AND CURRENCY AND DURATION HEDGING SHARE CLASSES

The Class A1, AD, ADX, AH, AHX, AO, AOX, B1, BD, BDX, BH, BHX, BO, BOX, CD, CH, CHX, CO, COX, I1, ID, IH, IHX, IO, IOX, ND, NH, NHX, NO, NOX, SD, SO, SOX, ZD, ZH, ZHX, ZO and ZOX Shares issued by a Fund will not be registered on the FSR and are accordingly not available to the Chilean public.

TAXATION

In accordance with article 11 of the Chilean Income Tax Law (Decree-Law 824 of 1974, as modified by Law 19.601 which regulates the offering to the public of foreign securities in Chile (the "Income Tax Law")), shares of the Company which are acquired on the Chilean market are not considered to be situated in Chile, as they are securities issued by an entity incorporated outside the country and are registered in the FSR, in accordance with the Title XXIV of the Securities Law. Consequently, as stated in article 10 and 11 of the Income Tax Law, any income arising from the Shares is not considered to be income from a Chilean source. Therefore, Investors who are not domiciled in or resident in Chile will not be subject to tax in Chile in respect of their holding of Shares. Investors who are domiciled or resident in Chile will be subject to tax in Chile in respect of the Shares in accordance with the Income Tax Law.

www.morganstanleyinvestmentfunds.com

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