

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

**IF IN DOUBT, PLEASE SEEK PROFESSIONAL ADVICE**

**MORGAN STANLEY INVESTMENT FUNDS**

Société d'Investissement à Capital Variable

Registered office: 6B, route de Trèves, L-2633 Senningerberg

R.C.S. Luxembourg: B 29 192

(the "Company")

**NOTICE TO SHAREHOLDERS**

Dear Shareholders,

We hereby give you notice that the Board of Directors of the Company (the "**Board**") has resolved the following:

**1 Mergers of Funds and Share Classes**

In view of the size and total expense ratios (that is, total net expenses / average total net assets x 100%) ("**TER**") of various Funds and Share Classes, the Board has resolved to merge certain Funds of the Company (the "**Absorbed Funds**") into other Funds of the Company (the "**Absorbing Funds**") and to merge certain Share Classes of certain Funds of the Company (the "**Absorbed Share Classes**") into other Share Classes of the same Funds of the Company (the "**Absorbing Share Classes**") as described below.

It is expected that the mergers mentioned below in paragraphs 1.1 and 1.2 will enable shareholders to benefit from the resulting economies of scale.

Accordingly, the following Absorbed Funds and Absorbed Share Classes will merge by contributing all of their assets and liabilities into the Absorbing Funds and Absorbing Share Classes respectively, in accordance with the terms of the Company's prospectus (the "**Prospectus**") and with Article 24 of the articles of incorporation of the Company on the dates shown below (each an "**Effective Merger Date**").

To assist your understanding of the differences between the relevant Funds and Share Classes, the important differences between the Funds and Share Classes (in terms of investment objective and policy, risk profile, investment sub-adviser, investment advisory fee, performance fee (if applicable), assets under management ("**AUM**") and TERs as at 30 June 2009) are reproduced below.

**1.1 Funds merging on 16 October 2009**

**i) Merger of FX Alpha Plus Risk Controlled (RC) 400 (US Dollar) Fund into FX Alpha Plus Risk Controlled (RC) 400 (Euro) Fund<sup>1</sup>**

The FX Alpha Plus RC 400 (US Dollar) Fund's investment objective is to seek to generate a risk controlled ("RC") return, measured in US Dollars that has a low level of correlation to other asset classes by investing in currency pairs. The Investment Adviser's systematic currency selection process employs computer modelling within a disciplined RC framework and seeks to profit from changes in the relative valuations of currency pairs.

The FX Alpha Plus RC 400 (US Dollar) Fund seeks to outperform the overnight US Dollar London Interbank Offered Rate (LIBOR) by 4.0% per annum, gross of fees, subject to an estimated annual ex-ante Value at Risk (VaR) of 4.0% over a holding period of 1 – 2 years. VaR is a measure used to estimate the maximum value of a portfolio that can be lost over a specific time period given a specific probability. An estimated annual ex-ante Value at Risk (VaR) of 4.0% means that the FX Alpha Plus RC 400 (US Dollar) Fund has a 95% probability that it will not lose more than 4% over a given 12 month period (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

The FX Alpha Plus RC 400 (Euro) Fund's investment objective is to seek to generate a risk controlled ("RC") return, measured in Euros that has a low level of correlation to other asset classes by investing in currency pairs. The Investment Adviser's systematic currency selection process employs computer modelling within a disciplined RC framework and seeks to profit from changes in the relative valuations of currency pairs.

The FX Alpha Plus RC 400 (Euro) Fund seeks to outperform the Euro OverNight Index Average (EONIA) by 4.0% per annum, gross of fees, subject to an estimated annual ex-ante Value at Risk (VaR) of 4.0% over a holding period of 1 – 2 years. VaR is a measure used to estimate the maximum value of a portfolio that can be lost over a specific time period given a specific probability. An estimated annual ex-ante Value at Risk (VaR) of 4.0% means that the FX Alpha Plus RC 400 (Euro) Fund has a 95% probability that it will not lose more than 4% over a given 12 month period (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

<sup>1</sup> Shareholders in the FX Alpha Plus Risk Controlled (RC) 400 (US Dollar) Fund will be merged into new USD Hedged Share Classes in the FX Alpha Plus Risk Controlled (RC) 400 (Euro) Fund. Such Shareholders should refer to "Risk Factors" in the Prospectus for special risk considerations applicable to Hedged Share Classes. Shareholders should also refer to paragraph 3 of this letter for information on a change to the FX Alpha Plus Risk Controlled (RC) 400 (Euro) Fund's name which will be effective on 16 October 2009. Shareholders in the AH(NOK) and AH(SEK) Share Classes of the FX Alpha Plus Risk Controlled (RC) 400 (US Dollar) Fund should refer to paragraph 2 of this letter in relation to the closure of these Share Classes.

<p>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.</p> <p>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.</p> <p>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. 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.</p>	<p>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.</p> <p>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.</p> <p>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. 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.</p>
<b>Reference Currency:</b> US Dollar	<b>Reference Currency:</b> Euro
<b>Performance Fee's Benchmark</b> USD Overnight LIBOR	<b>Performance Fee's Benchmark</b> EONIA <sup>2</sup>
<b>AUM:</b> US\$ 14.5 million	<b>AUM:</b> US\$ 367.4 million
<b>TER:</b> A Class: 1.75%, I Class: 1.13%	<b>TER</b> <sup>3</sup> : A Class: 1.45%, I Class: 0.87%

**ii) Merger of FX Alpha Plus Risk Controlled (RC) 800 (Sterling) Fund into FX Alpha Plus Risk Controlled (RC) 800 (Euro) Fund<sup>4</sup>**

The FX Alpha Plus RC 800 (Sterling) Fund's investment objective is to seek to generate a risk	The FX Alpha Plus RC 800 (Euro) Fund's investment objective is to seek to generate a risk
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<sup>2</sup> Shareholders should note that for USD Hedged Share Classes in this Fund, the Benchmark for the purposes of calculating the Performance Fee will be USD Overnight LIBOR.

<sup>3</sup> We have provided TERs for the A and I Share Classes as the relevant Hedged Share Classes have not yet launched. The TERs for such Hedged Share Classes may be higher.

<sup>4</sup> Shareholders in unhedged Share Classes and the USD Hedged Share Classes of the FX Alpha Plus Risk Controlled (RC) 800 (Sterling) Fund will be merged into new Sterling Hedged Share Classes and new USD Hedged Share Classes respectively in the FX Alpha Plus Risk Controlled (RC) 800 (Euro) Fund. Such Shareholders should refer to "Risk Factors" in the Prospectus for special risk considerations applicable to Hedged Share Classes. Shareholders should also refer to paragraph 3 of this letter for information on a change to the FX Alpha Plus Risk Controlled (RC) 800 (Euro) Fund's name which will be effective on 16 October 2009. Shareholders in the I, IX and A Share Classes of the FX Alpha Plus Risk Controlled (RC) 800 (Sterling) Fund, should refer to paragraph 2 of this letter in relation to the closure of these Share Classes.

controlled (“RC”) return, measured in Sterling that has a low level of correlation to other asset classes by investing in currency pairs. The Investment Adviser’s systematic currency selection process employs computer modelling within a disciplined RC framework and seeks to profit from changes in the relative valuations of currency pairs.

The FX Alpha Plus RC 800 (Sterling) Fund seeks to outperform the overnight Sterling London Interbank Offered Rate (LIBOR) by 8.0% per annum, gross of fees, subject to an estimated annual ex-ante Value at Risk (VaR) of 8.0% over a holding period of 1 – 2 years. VaR is a measure used to estimate the maximum value of a portfolio that can be lost over a specific time period given a specific probability. An estimated annual ex-ante Value at Risk (VaR) of 8.0% means that the FX Alpha Plus RC 800 (Sterling) Fund has a 95% probability that it will not lose more than 8% over a given 12 month period (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

controlled (“RC”) return, measured in Euros that has a low level of correlation to other asset classes by investing in currency pairs. The Investment Adviser’s systematic currency selection process employs computer modelling within a disciplined RC framework and seeks to profit from changes in the relative valuations of currency pairs.

The FX Alpha Plus RC 800 (Euro) Fund seeks to outperform the Euro OverNight Index Average (EONIA) by 8.0% per annum, gross of fees, subject to an estimated annual ex-ante Value at Risk (VaR) of 8.0% over a holding period of 1 – 2 years. VaR is a measure used to estimate the maximum value of a portfolio that can be lost over a specific time period given a specific probability. An estimated annual ex-ante Value at Risk (VaR) of 8.0% means that the FX Alpha Plus RC 800 (Euro) Fund has a 95% probability that it will not lose more than 8% over a given 12 month period (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

<p>securities and government or corporate bonds, cash and cash equivalents.</p> <p>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. 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.</p>	<p>securities and government or corporate bonds, cash and cash equivalents.</p> <p>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. 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.</p>
<b>Reference Currency:</b> Sterling	<b>Reference Currency:</b> Euro
<b>Performance Fee's Benchmark</b> GBP Overnight LIBOR	<b>Performance Fee's Benchmark</b> EONIA <sup>5</sup>
<b>AUM:</b> US\$ 13.5 million	<b>AUM:</b> US\$ 86.2 million
<b>TER:</b> AH Class: 2.23%, IH Class: 1.69%, Z Class: 1.52%.	<b>TER</b> <sup>6</sup> : A Class: 1.77%, I Class: 1.25%

<b>iii) Merger of US Bond Fund into Global Bond Fund</b>	
<p>The US Bond Fund's investment objective is to provide an attractive rate of return, measured in US Dollars, through investment primarily in US Dollar denominated Fixed Income Securities issued by US governments, US agencies and corporations domiciled or exercising the predominant part of their economic activity in the US. The Fund may also invest, on an ancillary basis, in Fixed Income Securities denominated in currencies other than US Dollar, including emerging markets Fixed Income Securities.</p> <p>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. <b>As the Fund will use financial derivative instruments, investors</b></p>	<p>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.</p> <p>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. <b>As the Fund will use financial derivative instruments, investors</b></p>

<sup>5</sup> Shareholders should note that for GBP and USD Hedged Share Classes in this Fund, the Benchmarks for the purposes of calculating the Performance Fee will be GBP Overnight LIBOR and USD Overnight LIBOR respectively.

<sup>6</sup> We have provided the TERs for the A and I Share Classes as the relevant Hedged Share Classes have not yet launched. The TERs of such Hedged Share Classes may be higher.

<p><b>should refer to “Risk Factors” below for special risk considerations applicable to emerging markets and derivatives.</b></p> <p>Securities will be deemed to be suitable for investment if at the time of purchase they are rated “BBB-” or better by S&amp;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 invest in such securities that are downgraded after purchase but may not make additional purchases of such securities. In addition, where the Investment Adviser perceives there to be added value, the Fund may invest in securities which at any time are rated either lower than “BBB-” by S&amp;P or “Baa3” by Moody’s or similarly rated by another internationally recognised rating service or determined to be of similar creditworthiness by the Investment Adviser.</p>	<p><b>should refer to “Risk Factors” below for special risk considerations applicable to emerging markets and derivatives.</b></p> <p>Securities will be deemed to be suitable for investment if at the time of purchase they are rated either “BBB-” or better by S&amp;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, on an ancillary basis, in securities which at the time of purchase are rated either lower than “BBB-” by S&amp;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.</p> <p>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.</p>
<p><b>Sub-Advisor:</b> None</p>	<p><b>Sub-Advisor:</b> Morgan Stanley Investment Management Limited</p>
<p><b>Investment Advisory Fees</b></p> <p><b>Classes A and B:</b> 0.80%  <b>Classes I and IX:</b> 0.45%  <b>Class S:</b> 0.45%</p>	<p><b>Investment Advisory Fees</b></p> <p><b>Classes A and B:</b> 0.80%  <b>Classes I and IX:</b> 0.45%  <b>Class S:</b> 0.35%</p>
<p><b>AUM:</b> US\$ 44.5 million</p>	<p><b>AUM:</b> US\$ 157.9 million</p>
<p><b>TER:</b> A Class: 1.42%, B Class: 2.41%, I Class: 1.00%, IX Class: 0.98%, Z Class: 0.94%.</p>	<p><b>TER:</b> A Class: 1.21%, B Class: 2.21%, I Class: 0.77%, Z Class: 0.75%.</p>

<p><b>iv) Merger of Diversified Alpha Plus VaR 800 (Euro) Fund into Diversified Alpha Plus VaR 400 (Euro) Fund</b></p>	
<p>The Diversified Alpha Plus VaR 800 (Euro) Fund’s investment objective is to outperform the Euro OverNight Index Average (EONIA) by 8% per annum, gross of fees.</p> <p>The Fund will seek to achieve its investment objective as follows:</p> <ul style="list-style-type: none"> <li>i. by taking long and short positions, either directly or (specifically in the case of</li> </ul>	<p>The Diversified Alpha Plus VaR 400 (Euro) Fund’s investment objective is to outperform the Euro OverNight Index Average (EONIA) by 4% per annum, gross of fees.</p> <p>The Fund will seek to achieve its investment objective as follows:</p> <ul style="list-style-type: none"> <li>i. by taking long and short positions, either directly or (specifically in the case</li> </ul>

<p>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</p> <p>ii. using one or more derivatives to gain exposure to the S&amp;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”).</p> <p>The Investment Adviser will make allocation decisions across these asset classes without regard to any particular limit as to geographical location, credit rating, maturity, currency denomination or market capitalisation.</p> <p>The Investment Adviser will use a computer modelling strategy which employs a systematic quantitative selection process within a disciplined risk controlled framework whereby the Fund is subject to an estimated annual ex-ante Value at Risk (VaR) of 8.0% over a holding period of 1 – 2 years. VaR is a measure used to estimate the maximum value of a portfolio that can be lost over a specific time period given a specific probability. An estimated annual ex-ante Value at Risk (VaR) of 8.0% means that the Diversified Alpha Plus VaR 800 (Euro) Fund has a 95% probability that it will not lose more than 8% over a given 12 month period (although this monitoring does not, under any circumstances, guarantee a minimum performance).</p> <p>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.</p> <p>The Fund may also make the following investments or use the following financial instruments:</p>	<p>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</p> <p>ii. using one or more derivatives to gain exposure to the S&amp;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”).</p> <p>The Investment Adviser will make allocation decisions across these asset classes without regard to any particular limit as to geographical location, credit rating, maturity, currency denomination or market capitalisation.</p> <p>The Investment Adviser will use a computer modelling strategy which employs a systematic quantitative selection process within a disciplined risk controlled framework whereby the Fund is subject to an estimated annual ex-ante Value at Risk (VaR) of 4.0% over a holding period of 1 – 2 years. VaR is a measure used to estimate the maximum value of a portfolio that can be lost over a specific time period given a specific probability. An estimated annual ex-ante Value at Risk (VaR) of 4.0% means that the Diversified Alpha Plus VaR 400 (Euro) Fund has a 95% probability that it will not lose more than 4% over a given 12 month period (although this monitoring does not, under any circumstances, guarantee a minimum performance).</p> <p>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.</p> <p>The Fund may also make the following investments or use the following financial instruments:</p>
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<p>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</p> <p>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</p> <p>iii. up to 10% of the Sub-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.</p> <p>Investors should refer to “Risk Factors” below for special risk considerations applicable to currency markets, emerging markets, commodities and derivatives.</p>	<p>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</p> <p>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</p> <p>iii. up to 10% of the Sub-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.</p> <p>Investors should refer to “Risk Factors” below for special risk considerations applicable to currency markets, emerging markets, commodities and derivatives.</p>
<p><b>Profile of typical investor</b></p> <p>In light of the Diversified Alpha Plus VaR 800 (Euro) Fund’s investment objective it may be appropriate for investors who:</p> <ul style="list-style-type: none"> <li>• Seek a return over the medium term.</li> <li>• Seek an alternative asset class which has a low correlation to equities and bonds.</li> <li>• Seek an alternative asset class with a risk measurement process which aims to estimate and constrain the potential for capital loss to within specific probabilities of not more than 8% over a 1-2 year period.</li> <li>• Accept the risks associated with this type of investment, as set out in “Risk Factors” below.</li> </ul>	<p><b>Profile of typical investor</b></p> <p>In light of the Diversified Alpha Plus VaR 400 (Euro) Fund’s investment objective it may be appropriate for investors who:</p> <ul style="list-style-type: none"> <li>• Seek a return over the medium term.</li> <li>• Seek an alternative asset class which has a low correlation to equities and bonds.</li> <li>• Seek an alternative asset class with a risk measurement process which aims to estimate and constrain the potential for capital loss to within specific probabilities of not more than 4% over a 1-2 year period.</li> <li>• Accept the risks associated with this type of investment, as set out in “Risk Factors” below.</li> </ul>
<p><b>Investment Advisory Fees</b></p> <p><b>Classes A and B:</b> 2.20%</p> <p><b>Classes I and Z:</b> 1.10%</p>	<p><b>Investment Advisory Fees</b></p> <p><b>Classes A and B:</b> 1.60%</p> <p><b>Classes I and Z:</b> 0.80%</p>
<p><b>AUM:</b> US\$ 32.9 million</p>	<p><b>AUM:</b> US\$ 98 million</p>
<p><b>TER:</b> A Class: 2.70%, B Class: 3.70%, I Class: 1.52%, Z Class: 1.50%.</p>	<p><b>TER:</b> A Class: 1.96%, B Class: 2.96%, I Class: 1.16%, Z Class: 1.11%.</p>

## 1.2 Share Classes merging on 15 October 2009

<b>i) Merger of US Value Equity Fund – Class AH into Class A</b>	
<b>Class AH</b>	<b>Class A</b>
<b>Hedged Share Class</b>	<b>Non-hedged Share Class</b>
<b>Share Class Currency: Euro</b>	<b>Share Class Currency: USD</b>
Utilises hedging strategies to seek to reduce exposure to currency movements between the currency of the hedged share class (Euro) and the Fund's reference currency (USD)	Shareholders should note that their investments will no longer be hedged from US Dollar to Euro and so will be exposed to US Dollar/Euro exchange rate risk.
<b>AUM: US\$ 235,372</b>	<b>AUM: US\$ 73.7 million</b>
<b>TER: 2.07%</b>	<b>TER: 1.72%</b>

<b>ii) Merger of Japanese Equity Advantage Fund – Class AH into Class A</b>	
<b>Class AH</b>	<b>Class A</b>
<b>Hedged Share Class</b>	<b>Non-hedged Share Class</b>
<b>Share Class Currency: Euro</b>	<b>Share Class Currency: Yen</b>
Utilises hedging strategies to seek to reduce exposure to currency movements between the currency of the hedged share class (Euro) and the Fund's reference currency (Yen)	Shareholders should note that their investments will no longer be hedged from Yen to Euro and so will be exposed to Yen/Euro exchange rate risk.
<b>AUM: US\$ 136,848</b>	<b>AUM: US\$ 24.5 million</b>
<b>TER: 2.00%</b>	<b>TER: 1.90%</b>

<b>iii) Merger of Diversified Alpha Plus VaR 400 (Euro) Fund – Class IH into Class I</b>	
<b>Class IH</b>	<b>Class I</b>
<b>Hedged Share Class</b>	<b>Non-hedged Share Class</b>
<b>Share Class Currency: USD</b>	<b>Share Class Currency: Euro</b>
Utilises hedging strategies to seek to reduce exposure to currency movements between the currency of the hedged share class (USD) and the Fund's reference currency (Euro)	Shareholders should note that their investments will no longer be hedged from Euro to US Dollar and so will be exposed to Euro/US Dollar exchange rate risk.
<b>AUM: US\$ 255,465</b>	<b>AUM: US\$ 1.2 million</b>
<b>TER: 1.18%</b>	<b>TER: 1.16%</b>

### **1.3 Other mergers effective on 15 October 2009**

As the level of assets under management in the following I Share Classes is below Euro 100 million, the Board has resolved, in accordance with the terms of the Prospectus and with Article 24 of the articles of incorporation of the Company, to merge them into the corresponding A Share Class. This is also on the basis that Shareholders in the following I Share Classes hold less than the minimum holding requirement. **Please note that if you determine, in accordance with the Prospectus, that you are eligible to apply for Class Z Shares, you may wish to do so.**

<b>i) Merger of US Equity Growth Fund – Class IH into Class AH</b>	
<b>Class IH</b>	<b>Class AH</b>
<b>Minimum initial subscription, minimum holding and minimum subsequent subscription amount: USD 500,000</b>	<b>No minimum initial subscription, minimum holding or minimum subsequent subscription amount</b>
<b>Investment Advisory Fee: 0.70%</b>	<b>Investment Advisory Fee: 1.40%</b>
<b>AUM: US\$ 3,898</b>	<b>AUM: US\$ 3.4 million</b>
<b>TER: 1.01%</b>	<b>TER: 1.83%</b>

<b>ii) Merger of European Small Cap Value Fund – Class I into Class A</b>	
<b>Class I</b>	<b>Class A</b>
<b>Minimum initial subscription, minimum holding and minimum subsequent subscription amount: USD 500,000</b>	<b>No minimum initial subscription, minimum holding or minimum subsequent subscription amount</b>
<b>Investment Advisory Fee: 0.95%</b>	<b>Investment Advisory Fee: 1.60%</b>
<b>AUM: US\$ 371,312</b>	<b>AUM: US\$ 8.1 million</b>
<b>TER: 1.59%</b>	<b>TER: 2.32%</b>

<b>iii) Merger of Commodities Active GSLE Fund - Class IH into Class AH</b>	
<b>Class IH</b>	<b>Class AH</b>
<b>Minimum initial subscription, minimum holding and minimum subsequent subscription amount: USD 500,000</b>	<b>No minimum initial subscription, minimum holding or minimum subsequent subscription amount</b>
<b>Investment Advisory Fee: 0.55%</b>	<b>Investment Advisory Fee: 1.10%</b>
<b>AUM: US\$ 43,595</b>	<b>AUM: US\$ 20.2 million</b>
<b>TER: 0.81%</b>	<b>TER: 1.42%</b>

#### **1.4 General information concerning the mergers**

For more information on the Absorbing Funds, please refer to the February 2009 Prospectus and Simplified Prospectus of the Company which are available to investors, free of charge, at its registered office or at the offices of foreign representatives.

For information on the risk factors applicable to the Absorbing Funds, investors should refer to the “Risk Factors” section in the February 2009 Prospectus. If you are in any doubt about the risk factors relevant to an investment, you should consult your stockbroker, bank manager, solicitor, accountant or other financial adviser.

The Absorbed Funds and Absorbed Share Classes will be closed to future subscriptions three business days before the Effective Merger Date.

Shareholders of the Absorbed Funds and Absorbed Share Classes may continue to redeem or convert their shares without redemption or conversion charges up to 1.00 pm CET three business days before the Effective Merger Date.

Upon the Effective Merger Date, all shareholders not having redeemed or converted their shares in the Absorbed Funds will receive a number of shares of the same class<sup>7</sup> in the corresponding Absorbing Funds and all shareholders not having redeemed or converted their shares in the Absorbed Share Classes will receive a number of shares in the Absorbing Share Class of the same Fund, calculated based on the net asset value per share of the Absorbed Fund or Absorbed Share Class compared to the net asset value of the respective Absorbing Fund or Absorbing Share Class. Such shares will be issued without charge, without par value and in registered form (the “**New Shares**”). The total value of the New Shares will correspond to the total value of the shares held in the Absorbed Fund or Absorbed Share Class.

A confirmation of the New Shares will be sent to you within 30 days of the Effective Merger Date.

Merger expenses are not expected to materially exceed US\$ 25,000 for each of the Fund mergers, or US\$ 1,000 for each of the Share Class mergers and these will be borne by the Absorbed Funds and Absorbed Share Classes.

The establishment costs for all the Absorbed Funds have been fully amortized.

The sub-Classes X and HX Shares of the Absorbed Funds will declare an additional dividend 5 business days before the Effective Merger Date.

The mergers will not subject the Absorbed Funds, Absorbed Share Classes, Absorbing Funds or Absorbed Share Classes to taxation in Luxembourg. Under certain conditions, shareholders could be liable to Luxembourg income tax upon the merger of certain sub-funds. However, no Luxembourg income tax would be due on such gains if a double tax treaty is applicable between Luxembourg and the country of residence of the shareholders and provides otherwise. Investors may be subject to taxation in their tax domiciles or other jurisdictions where they pay taxes.

As tax laws differ widely from country to country, investors are urged to consult their tax advisers as to the tax implications of the merger in their individual cases.

## 2 Closure of Share Classes

As the level of assets under management in the following Share Classes is below Euro 100 million, the Board has resolved, in accordance with the terms of the Prospectus and with Article 24 of the articles of incorporation of the Company, to compulsorily redeem shareholders in:

- the FX Alpha Plus Risk Controlled (RC) 400 (US Dollar) Fund - AH (NOK) and AH (SEK) Share Classes;
- the American Franchise Fund - AX Share Class; and
- the FX Alpha Plus Risk Controlled (RC) 800 (Sterling) Fund - I, IX and A Share Classes (collectively, the “**Closing Share Classes**”) on 15 October 2009 (the “**Effective Redemption Date**”).

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<sup>7</sup> Apart from: (i) Shareholders in the FX Alpha Plus Risk Controlled (RC) 400 (US Dollar) Fund who will receive USD Hedged Share Classes in the FX Alpha Risk Controlled (RC) 400 (Euro) Fund and (ii) Shareholders in the unhedged share classes and the USD Hedged Share Classes of the FX Alpha Plus Risk Controlled (RC) 800 (Sterling) Fund who will receive Sterling Hedged Share Classes and USD Hedged Share Classes respectively in the FX Alpha Plus Risk Controlled (RC) 800 (Euro) Fund.

Shareholders of the Closing Share Classes may continue to redeem or convert their shares without redemption or conversion charges up to 1.00 pm CET on 12 October 2009. A provision of US\$ 1,000 in respect of the Closing Share Classes for the liquidation costs was made on 14 September 2009.

Those Closing Share Classes which are X Shares will declare an additional dividend 5 business days before the Effective Redemption Date.

The Closing Share Classes will be closed to future subscriptions on 12 October 2009.

Upon the applicable Effective Redemption Date, all shareholders not having redeemed or converted their shares in the Closing Share Classes will be compulsorily redeemed at the net asset value per share on the applicable Effective Redemption Date.

### **3 Name Changes of some Funds**

With effect from 16 October 2009, the following name changes will take place:

- Morgan Stanley Investment Funds FX Alpha Plus Risk Controlled (RC) 200 (Euro) Fund will change its name to Morgan Stanley Investment Funds FX Alpha Plus Risk Controlled (RC) 200 Fund; and
- Morgan Stanley Investment Funds FX Alpha Plus Risk Controlled (RC) 400 (Euro) Fund will change its name to Morgan Stanley Investment Funds FX Alpha Plus Risk Controlled (RC) 400 Fund; and
- Morgan Stanley Investment Funds FX Alpha Plus Risk Controlled (RC) 800 (Euro) Fund will change its name to Morgan Stanley Investment Funds FX Alpha Plus Risk Controlled (RC) 800 Fund.

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Your right to redeem or convert your shares is not affected and you may redeem or convert your shareholding without any redemption or conversion charges if you do not agree to any of the above changes.

If you have any questions or concerns about the foregoing, please contact the Company at its registered office in Luxembourg, the Investment Adviser of the Company or the representative of the Company in your jurisdiction. Shareholders should inform themselves of, and where appropriate take advice on, the tax consequences of the foregoing in their country of citizenship, residence or domicile.

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### **GENERAL**

Capitalised terms used in this letter shall have the meaning as defined in the current Prospectus, unless the context otherwise requires.

The Board accepts responsibility for the accuracy of the information contained in this Notice.

The mergers or closures of Funds and Share-Classes noted in this letter will be reflected in the next update of the Prospectus, which, following receipt of the relevant regulatory approvals, will be available to investors, free of charge, at its registered office or at the offices of foreign representatives.

Luxembourg, 11 September 2009

MORGAN STANLEY INVESTMENT FUNDS

By order of the Board of Directors