30 September 2025

# A Sub-Fund of Morgan Stanley Investment Funds

# Asia Opportunity Fund

**GLOBAL OPPORTUNITY** 

## **Important Information**

- The Fund primarily invests in high quality established and emerging companies located in Asia (excluding Japan).
- Investment involves risks. Key risks for this fund include Risk of Investment in Equity, Concentration Risk, Risk associated with Investments in the PRC, Risk associated with Investments in China A-Shares via Stock Connect, Emerging Market Risk and Exchange Rate Risk.
- There is a risk that you may potentially lose your entire investment in this Fund.
- The investment decision is yours but you should not invest unless the intermediary who sells it to you has advised you that it is suitable for you and has explained why, including how buying it would be consistent with your investment objectives. You should not make any investment decision solely based on this document. Please read the relevant offering document carefully for further fund details including risk factors.

## **Performance Review**

In the one month period ending 30 September 2025, the Fund's A shares returned 6.71% (net of fees)<sup>1</sup>, while the benchmark returned 6.82%.

In the quarter ended 30 September 2025, the Fund's A shares returned 6.83% and the benchmark returned 10.76%.

Global Opportunity creates a high conviction, concentrated portfolio of undervalued, high quality businesses. The long-term investment horizon and high active share approach can result in periods of performance deviation from the benchmark. The Fund underperformed the MSCI All Country (AC) Asia ex Japan Index this quarter due to unfavourable stock selection despite favourable sector allocation.

#### **Market Review**

Asian equities advanced during the quarter, largely driven by the communication services, consumer discretionary, information technology and materials sectors. The energy, utilities and financials sectors underperformed the benchmark.

### **Portfolio Review**

Stock selection in consumer discretionary and financials and the portfolio's underweight positions in the information technology, real estate and materials sectors were the greatest overall detractors from relative performance. Top individual detractors included an underweight position in Taiwan Semiconductor Manufacturing Co., Korean digital bank KakaoBank, Chinese online lending platform Qifu Technology, Chinese consumer service super-app Meituan, and Indian private sector bank ICICI Bank.

Conversely, a sector overweight position in consumer discretionary, an underweight position in energy, and stock selection in communication services, industrials and information technology were the greatest overall contributors to the relative performance of the portfolio during the period. Top individual contributors included Chinese travel agency Trip.com, Indian quick commerce company Eternal, Southeast Asian super app Grab, Chinese livestreaming and short video platform Kuaishou Technology, and a Chinese internet services and artificial intelligence (AI) company.

Shares of KakaoBank declined due to tighter government regulations on household lending, which has led to concerns on near-term loan growth. KakaoBank is a digital bank with full banking license in Korea, servicing over 80% of the economically active population. We believe KakaoBank is unique due to its strong technological infrastructure, customer interface, differentiated products and Kakao brand name. KakaoBank is fully digital with no branches, which reduces the cost of operating the business and we believe can sustain long-term profitability. The Korean banking system is large with weak incumbents and smartphone penetration in the country is high, creating what we believe is an ideal backdrop for KakaoBank to grow through market share gains.

Shares of Qifu Technology declined primarily due to regulatory headwinds that impacted the industry. Although shares of Qifu Technology may come under pressure in the near term, the company's revenue growth and asset quality remain healthy based on our analysis. By integrating AI into its processes, the company also aims to improve risk modeling and, in turn, strengthen future profitability. Qifu Technology aims to provide tailored online consumer finance products to prime and underserved borrowers. Its competitive advantage is driven by its proprietary technology platform, and partnership with 360 Group, which allows strong consumer acquisition, retention and funding advantages. We believe this can support continued growth and scaling of its business. Based on our research, we also believe the company can benefit from a clearer regulatory landscape for the online lending space.

This document constitutes a commentary and does not constitute investment advice nor a recommendation to invest. The value of investments may rise as well as fall. Independent advice should be sought before any decision to invest.

<sup>&</sup>lt;sup>1</sup> Source: Morgan Stanley Investment Management Limited. Data as of 30 September 2025.

<sup>&</sup>lt;sup>2</sup> Source: KakaoBank company data as of 30 June 2025.

Shares of Trip.com outperformed after a strong second quarter earnings print and upbeat commentary, which eased concerns about reinvestment-driven margin pressure. Management highlighted robust summer travel along with momentum in overseas expansion and advertising, with a new share buyback announcement underpinning positive sentiment. New AI tools (TripGenie/Trip.Planner) are boosting engagement, funneling users to bookable itineraries and automating service, supporting stickier direct demand and efficiency into the platform.

Shares of Eternal rallied after reporting strong first quarter results with 70% year-over-year revenue growth,<sup>3</sup> led by Blinkit's rapid expansion, along with a positive outlook on margin. Eternal is a leading India-based food delivery and quick commerce platform, with strong network effects of almost 21 million monthly transacting customers, almost 300,000 restaurant partners and over 450,000 delivery partners.<sup>4</sup> The Indian online food delivery market is very attractive due to its significant underpenetration relative to other countries, a fragmented restaurant industry with chain restaurants accounting for 6%-7% of industry sales<sup>5</sup> and a favourable duopoly market structure. E-commerce in India, especially online grocery, is significantly underpenetrated relative to other countries. We believe Eternal will likely benefit from Indian food consumption growth, transition from home cooked food to restaurant food, and higher adoption of food delivery and online commerce services.

# **Outlook**

Against an uncertain market backdrop, we remain focused on a portfolio of high quality, growing businesses that are generally less sensitive to macroeconomic conditions and policy uncertainty.

In the third quarter, Asian equity markets were driven by continued enthusiasm for artificial intelligence, particularly among semiconductor and hardware companies in Korea and Taiwan. We do not hold these names, as we have less conviction in their long-term growth drivers. Instead, we see some of the most compelling opportunities arising from the second- and third-order effects of such technological developments. Our portfolio includes distinctive companies that, even in a pre-AI world, are well positioned to embrace these innovations by enhancing their competitive advantages and potentially unlocking significant value through deeper customer engagement.

While recent underperformance is disappointing, our conviction in the portfolio's holdings remains strong. The fundamentals of our companies are strong, with revenues expected to grow at 12.1%, compared with 8.7% for the benchmark.<sup>6</sup> Furthermore, 99% of the portfolio is projected to be free cash flow positive by 2027, offering an attractive 6.0% consensus estimated free cash flow yield based on 2027 estimates.<sup>6</sup>

For further information, please contact your Morgan Stanley Investment Management representative.

## **Fund Facts**

Launch date	31 March 2016						
Base currency	U.S. dollars						
Benchmark	MSCI All Country Asia Ex Japan Net Index						

## Calendar Year Returns (%)

Past performance is not a reliable indicator of future results.

	YTD	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Class A Shares	14.89	20.28	-7.90	-22.62	-21.10	50.38	40.37	-15.50	73.30		
MSCI All Country Asia Ex Japan Net Index	26.82	11.96	5.98	-19.67	-4.72	25.02	18.17	-14.37	41.72		

Investment involves risks. All performance data is calculated NAV to NAV, net of fees, and assume the reinvestment of all dividends and income. The sources for all performance and index data is Morgan Stanley Investment Management ('MSIM Ltd'). Please refer to the relevant offering documents for fund details, including risk factors.

Applications for shares in the Sub-Fund should not be made without first consulting the current Prospectus and the Key Information Document ("KID") or Key Investor Information Document ("KID"), which are available in English and in the language of countries authorized for fund distribution and is available online at Morgan Stanley Investment Funds Webpages or free of charge from the Registered Office at European Bank and Business Centre, 6B route de Trèves, L-2633 Senningerberg, R.C.S. Luxemburg B 29 192.

The summary of investor rights is available in the

aforementioned languages and website location under the General Literature section.

Information in relation to sustainability aspects of the Fund is available in English online at: Sustainable Finance Disclosure Regulation.

If the management company of the relevant Fund decides to terminate its arrangement for marketing that Fund in any EEA country where it is registered for sale, it will do so in accordance with the UCITS rules.

<sup>&</sup>lt;sup>3</sup> Source: Eternal company data as of 21 July 2025.

<sup>4</sup> Source: Eternal company data as of 30 June 2025.

<sup>5</sup> Source: Eternal company data as of May 2024.

<sup>6</sup> Source: FactSet data as of September 2025.

#### IMPORTANT INFORMATION

This material has been prepared solely for informational purposes and does not constitute an offer or a recommendation to buy or sell any particular security or to adopt any specific investment strategy. Investors should be aware that a diversified strategy does not protect against a loss in a particular market.

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The use of leverage increases risks, such that a relatively small movement in the value of an investment may result in a disproportionately large movement, unfavourable as well as favourable, in the value of that investment and, in turn, the value of the Fund. Investment in the Fund concerns the acquisition of units or shares in a fund, and not in a given underlying asset such as building or shares of a company, as these are only the underlying assets owned.

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#### **INDEX INFORMATION**

The MSCI All Country Asia Ex Japan Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of Asia, excluding Japan. The performance of the Index is listed in U.S. dollars and assumes reinvestment of net dividends. The index is unmanaged and does not include any expenses, fees or sales charges. It is not possible to directly invest in an index.

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