A Sub-Fund of Morgan Stanley Investment Funds

American Resilience Fund

INTERNATIONAL EQUITY TEAM

Performance Review

In the one month period ending 30 April 2025, the Fund's Z shares returned -3.76% (net of fees)[1], while the benchmark returned -0.68%.

This unremarkable headline return masks the high levels of intramonth market volatility witnessed in April. Following the "Liberation Day" tariff announcement at the start of the month, markets sold off aggressively, during which time the portfolio proved resilient, delivering nearly 700 basis points (bps) of relative outperformance.[2] After news of a 90-day pause on "non-reciprocal" tariffs, markets rallied strongly to make back all of their losses from earlier in the month, during which time the portfolio failed to keep pace with the rising index. Nonetheless, the portfolio has fallen less than the S&P 500 Index for the year-to-date, returning -3.70% versus the index's -4.92%.

The three largest contributors to **absolute performance** during the month were information technology names. **Microsoft** (+34 bps) and **Alphabet** (+18 bps) were up a modest 5% and 3%, respectively, as the share prices partially recovered after the drawdown of the Magnificent 7 in the first quarter,[3] while the strong defensive attributes and disciplined capital deployment history of **Constellation Software** (+26 bps) supported the stock's rally after a brief sell-off early in the month.

The largest absolute detractor during the month was **UnitedHealth** (-61 bps), as the stock fell over 20% on the back of its first quarter 2025 results. Despite just a 1%-2% miss on revenue and earnings per share (EPS) relative to consensus – the company's first quarterly earnings miss since 2008 – the decline was largely driven by an unprecedented 12% downgrade to full-year EPS guidance, which took investors by surprise.[4] Other notable detractors include **Aon** (-54 bps), which gave back some of its strong gains from the first quarter as investors took profits and the company reported its latest results, which fell modestly short of expectations; and **Thermo Fisher** (-44 bps), which was down double digits as management cut full-year guidance, citing negative tariff impacts and changes to U.S. federal spending.

In terms of the **relative performance** picture, both sector allocation and stock selection were negative in the month. Although the portfolio benefited from its lack of exposure to energy, the portfolio's overweight to health care and residual cash position were greater performance headwinds. In terms of stock selection, outperformance in consumer discretionary was notable, although this couldn't overcome stock-specific weakness in health care, information technology and financials, as explained above.

Market Review

Despite falling more than 10% during the first few days of April, the S&P 500 Net Index rallied strongly to deliver a slightly negative -0.7% U.S. dollars (USD) in April, taking the index's year-to-date return to -5% USD. Looking at sector performance in the month, energy (-14%) considerably underperformed as oil prices plummeted on the back of a supply surge and an uncertain global growth outlook. Other than health care (-4%), which struggled largely over concerns regarding tariffs and rising costs, all other sectors were within 300 bps of the S&P 500. While there was no clear winner in the cyclical-defensive tussle during the month, there is one for the year, as the defensive sectors – consumer staples (+6%), utilities (+5%) and health care (+2%) – have considerably outperformed the highly cyclical, growth-tilted consumer discretionary and information technology sectors (-14% and -11%, respectively), which have given back some of their very strong returns from the last two years. Sector performance is shown in USD unless otherwise noted.

Portfolio Activity

Portfolio activity is reported at quarter-end.

Strategy and Outlook

Extreme geopolitical and U.S. policy uncertainty drove considerable equity market volatility in April; since the start of the century, the VIX index has only ever been higher during the Global Financial Crisis in 2008-09 and at the onset of COVID-19 in 2020. Interestingly, the round trip of markets, which fell double digits in the immediate aftermath of the "Liberation Day" tariff announcement only to recover following news of a 90-day pause, looks to be largely sentiment driven, given that by month-end, multiples were still in line with March levels, while earnings expectations had edged a fraction higher.

While we are not macroeconomic experts, our view is that the announced tariffs,[5] notwithstanding the 90-day pause for countries outside of China, may pose a major headwind to global growth. Within the U.S. we are seeing falling consumer and business

1 Source: Morgan Stanley Investment Management Limited. Data as of 30 April 2025.
2 From 3 April to 8 April 2025.
3 Source: FactSet. Data as of 30 April 2025 and 31 March 2025.
4 Source: UnitedHealth first quarter earnings call.
5 At the time of writing (6 May 2025), 10% baseline tariffs globally, alongside 100%+ China and upcoming sectoral tariffs.

confidence coming through in data, with U.S. consumer confidence slumping to a near five-year low in April. These impacts to the U.S. economy may come on top of other potential U.S. growth headwinds from restricting immigration (and thus labour force growth) and pressures on government spending.

Internationally, major exporters to the U.S. also face significant challenges, and questions remain over companies' ability to pass on tariff impacts via pricing. There is also the potential for further pressure by the U.S. on the EU and Asia to separate from China on trade, which could mean major disruptions to many supply chains, given the importance of China in manufacturing.

Despite heightened elevated levels of uncertainty, markets still look far from cheap by historical standards, with the MSCI World Index on over 18x forward earnings and the S&P 500 still above 20x.[6] These multiples are on expected double-digit earnings growth for the next two years[6] – a level we worried about even before the tariff announcement. Against this backdrop, we would advocate that it makes more sense than ever to own a portfolio of companies with pricing power, recurring revenues and resilient earnings, which: 1) should be well positioned to withstand the direct impact from tariffs, given the portfolio's high quality characteristics and skew to services; 2) demonstrates stronger top-line growth expectations than the market for 2025; and 3) is currently trading at a negligible premium to the index in free cash flow terms.[6]

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

Fund Facts

Launch date	15 December 2022
Base currency	U.S. dollars
Benchmark	S&P 500 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 Z Shares	-3.70	10.59	19.11	--	--	--	--	--	--	--	--
S&P 500 Index	-4.92	25.02	26.29	--	--	--	--	--	--	--	--

All performance data is calculated NAV to NAV, net of fees, and does not take account of commissions and costs incurred on the issue and redemption of units. The sources for all performance and Index data is Morgan Stanley Investment Management. **Please visit our website www.morganstanley.com/im to see the latest performance returns for the fund's other share classes.**

Share Class Z Risk and Reward Profile

- The fund may be impacted by movements in the exchange rates between the fund's currency and the currencies of the fund's investments.
- The fund relies on other parties to fulfill certain services, investments or transactions. If these parties become insolvent, it may expose the fund to financial loss.
- Sustainability factors can pose risks to investments, for example: impact asset values, increased operational costs.
- There may be an insufficient number of buyers or sellers which may affect the funds ability to buy or sell securities.
- Past performance is not a reliable indicator of future results. Returns may increase or decrease as a result of currency fluctuations. The value of investments and the income from them can go down as well as up and investors may lose all or a substantial portion of his or her investment.
- The value of the investments and the income from them will vary and there can be no assurance that the Fund will achieve its investment objectives.
- Investments may be in a variety of currencies and therefore changes in rates of exchange between currencies may cause the value of investments to decrease or increase. Furthermore, the value of investments may be adversely affected by fluctuations in exchange rates between the investor's reference currency and the base currency of the investments.

Please refer to the Prospectus for full risk disclosures, available at www.morganstanleyinvestmentfunds.com. All data as of 30.04.2025 and subject to change daily.

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 ("KIID"), 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

6 Source: FactSet. Data as of 30 April 2025.

country where it is registered for sale, it will do so in accordance with the UCITS rules.

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Charts and graphs provided herein are for illustrative purposes only and subject to change.

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The **Standard & Poor's 500® Index (S&P 500®)** measures the performance of the large cap segment of the U.S. equities market, covering approximately 80% of the U.S. equities market. The Index includes 500 leading companies in leading industries of the U.S. economy.

The index are unmanaged and does not include any expenses, fees or sales charges. It is not possible to invest directly in an index.

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The **MSCI World Net Index** is a free float adjusted market capitalization weighted index that is designed to measure the global equity market performance of developed markets. The term "free float" represents the portion of shares outstanding that are deemed to be available for purchase in the public equity markets by investors. 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 invest directly in an index.

The **Volatility Index (VIX)** is the ticker symbol for the Chicago Board Options Exchange Market Volatility Index, a popular measure of the implied volatility of S&P 500 index options. It represents one measure of the market's expectation of stock market volatility over the next 30-day period. The VIX is quoted in percentage points and translates, roughly, to the expected movement in the S&P 500 index over the next 30-day period, which is then annualized.

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