

A Sub-Fund of Morgan Stanley Investment Funds

# Calvert Sustainable US Equity Select Fund



## Performance Review

In the three month period ending 30 June 2025, the Fund's Z shares returned 11.63% (net of fees)<sup>1</sup>, while the benchmark returned 11.11%.

The Fund is designed to offer long-term shareholder return through exposure to companies that are leaders in the environmental, social and governance (ESG) landscape, or improvers in addressing environmental and social challenges and managing material ESG risks. Calvert believes that companies that demonstrate leadership and/or improvement in the management of financially material ESG risks and opportunities offer long-term value creation for shareholders. The investment approach identifies ESG leaders and improvers using a proprietary quantitative and qualitative analysis to construct a portfolio that manages active risk relative to the market benchmark, the Russell 1000 Index. The portfolio also aims to maintain a carbon footprint 50% lower than the benchmark and higher levels of board gender diversity compared to the benchmark.

The Fund's underperformance during the quarter was primarily attributable to stock selection in the information technology sector. Not holding certain information technology stocks — such as Broadcom, Oracle and Palantir — detracted from performance. Broadcom and Oracle do not meet the portfolio's criteria for ESG leadership or improvement. Meanwhile, Palantir is ineligible for investment according to the Calvert Principles for Responsible Investment (Calvert Principles) due to data privacy and security concerns. An overweight position in Accenture in the IT sector also hurt performance.

Stock selection in the consumer discretionary sector also hurt the Fund's relative performance, especially not holding Tesla and Amazon. As of June 2024, Tesla is no longer eligible for investment according to the Calvert Principles due to governance concerns related to board independence. Amazon does not meet the portfolio's ESG criteria.

Another significant sector-level detractor from performance was stock selection in utilities. In this sector, overweight positions in Exelon Corporation and Consolidated Edison hurt performance.

Not holding communication services stock Meta Platforms was a further drag on performance during the quarter. Meta is ineligible for investment according to the Calvert Principles due to data privacy, security and governance concerns.

The biggest contributor to the Fund's relative performance was an underweight position in the energy sector, particularly not holding Exxon and Chevron. The underweight to the energy sector is driven in part by the Calvert Principles research framework, which identifies outsize environmental risks among some energy companies that are often not addressed by appropriate management systems or strategies.

Stock selection in health care also contributed, especially not holding UnitedHealth Group, which does not meet the portfolio's criteria for ESG leadership or improvement.

Other notable contributors to performance were overweight positions in Netflix in the communication services sector and Nvidia in the information technology sector. Not holding Berkshire Hathaway in the financials sector and an overweight position in Eaton Corp in the industrials sector also helped. Berkshire Hathaway is not eligible for investment according to the Calvert Principles due to governance concerns and weakness in environmental risk management.

## Market Review

Events in Washington drove equity market performance at the beginning of the second quarter, as the Trump administration's 2 April tariff announcements further pressured the weakened U.S. equity market and bruised international markets. Over the following four trading days, the S&P 500 Index declined 12%, taking it 19% below its all-time high and within a whisker of a bear market, which both the Nasdaq Composite Index and Russell 2000 Index triggered by each falling 24% from their peaks. On 9 April, the administration postponed the tariffs by 90 days and began trade negotiations, which set the stage for a huge rebound. By mid-May, all three indexes had recovered to their pre-tariff levels, and the S&P 500 and Nasdaq set fresh all-time highs by quarter-end.<sup>2</sup>

During the period we saw conflicting messages from soft and hard U.S. economic data. Survey data of consumer sentiment and inflation expectations negatively portrayed the U.S. economy, while economic data for actual consumer spending, employment and inflation remained favorable. Resilience in the hard data has enabled the Federal Reserve (Fed) to maintain interest rates at the current level. The same dynamic has played out in corporate America, where company CEOs have removed or issued cautious future guidance but have delivered strong results, with first quarter earnings for S&P 500 constituents rising more than 12% from a year earlier.<sup>2</sup>

<sup>1</sup> Source: Morgan Stanley Investment Management Limited. Data as of 30 June 2025.

<sup>2</sup> Source: Morningstar, FactSet. Data as of 30 June 2025.

The quarter closed with the U.S. striking Iran's nuclear assets, the U.S. president pressuring the Fed chair to lower interest rates, and a debate in Washington over a massive tax and budget bill that was subsequently passed and then enacted on 4 July. The U.S. dollar was the biggest casualty of the eventful quarter, with the ICE U.S. Dollar Index sliding significantly to its lowest level in more than three years, and sending some investors to bitcoin and gold, both of which climbed to all-time highs.<sup>2</sup>

Following a very poor first quarter, the information technology sector saw a particularly strong rebound and resumed its market leadership in the U.S., as optimism about artificial intelligence demand returned. With this strength in technology, the Russell 1000 Growth Index (+17.8%) outperformed the Russell 1000 Value Index (+3.8%) by 14%, marking the largest quarterly outperformance for growth since the fourth quarter of 1999.<sup>2</sup>

Despite the large quarterly gain for the S&P 500 Index (+10.9%), non-U.S. markets (both developed and emerging) continued to outshine the U.S. during the second quarter, with the MSCI EAFE Index rising 11.8% and MSCI Emerging Markets Index up +12.0% in U.S. dollar terms. While information technology, and the semiconductor industry, drove upside in the emerging markets, the cyclical financials and industrials sectors also boosted results outside the U.S.

## Strategy and Outlook

As we look ahead with a focus on major factors that are shaping a multidecade transformation of the global economic system relevant to responsible long-term investors, four areas have the potential for the greatest impact from a risk and opportunity perspective: i) Changes to the global energy system — both in terms of the existing fossil fuel system and the development of a distributed, lower-carbon system — are accelerating and revealing challenges for companies globally; ii) Demographic changes, including educational attainment, continue to impact the workforce, as well as the ultimate size of consumer markets globally, with the vast majority of companies yet to fully adapt to these massive changes; iii) Higher costs, including interest rates, wages and raw materials, present unique challenges to every industry and will likely result in greater differentiation between companies that are able to manage their cost structure and improve productivity and those that are less efficient or trapped in a high fixed operating cost model; iv) Finally, various forms of pricing of externalities — either by governments or through market action — are taking effect and will likely act to raise costs and influence corporate and consumer behavior.

With this future state in mind, leadership on issues of sustainability across industries requires a company to evolve its product strategy, refine its corporate strategy and continually strengthen its ability to provide effective oversight and execution of the sustainable transition before us.

MS INVF Calvert Sustainable US Equity Select strategy is built on our belief that companies addressing the sustainability challenges presented by this multidecade transformation are better positioned to deliver shareholder return and positive societal outcomes. The Fund seeks to invest in companies that are leaders and improvers at managing this future business state, either through their operations and corporate strategy, or through the products and services that they offer.

Using ESG performance on financially material issues as the primary criteria for stock selection, the Fund uses a combined quantitative and qualitative approach to narrow the investment universe and identify and invest in the best-performing companies in the Calvert Research System from an ESG standpoint. The portfolio is then optimized to manage risk, lower the overall greenhouse gas emissions of the portfolio and increase the board level diversity of the portfolio against the benchmark. The result is an actively managed portfolio of large-cap U.S. stocks designed to provide risk-controlled returns in excess of the Russell 1000 Index, with exceptional performance on environmental and social issues.

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

## Fund Facts

|               |                    |
|---------------|--------------------|
| Launch date   | 08 April 2022      |
| Base currency | U.S. dollars       |
| Benchmark     | Russell 1000 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     | 4.23 | 18.73 | 23.21 | --   | --   | --   | --   | --   | --   | --   | --   |
| Russell 1000 Index | 6.12 | 24.51 | 26.53 | --   | --   | --   | --   | --   | --   | --   | --   |

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 shares. The sources for all performance and index data is Morgan Stanley Investment Management ('MSIM Ltd'). **Please visit our website [www.morganstanley.com/im](http://www.morganstanley.com/im) to see the latest performance returns for the fund's other share classes.**

<sup>2</sup> Source: Morningstar, FactSet. Data as of 30 June 2025.

## Share Class Z Risk and Reward Profile

- 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.
- There may be an insufficient number of buyers or sellers which may affect the Fund's ability to buy or sell securities.
- Sustainability factors can pose risks to investments, for example: impact asset values, increased operational costs.

- 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](http://www.morganstanleyinvestmentfunds.com). All data as of 30.06.2025 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](http://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](http://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.

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

### INDEX INFORMATION

The **Russell 1000® Index** is an index that measures the performance of the 1,000 largest companies in the Russell 3000 Index.

The index is 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 **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 **Nasdaq Composite Index** is a stock market index of the common stocks and similar securities listed on the NASDAQ stock market. It is used as an indicator of the performance of stocks of technology companies and growth companies. Since both U.S. and non-U.S. companies are listed on the NASDAQ stock market, the index is not exclusively a U.S. index.

The **Russell 2000® Index** is an index that measures the performance of the 2,000 smallest companies in the Russell 3000 Index.

The **Russell 1000® Growth Index** measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000® Index companies with higher price-to-book ratios and higher forecasted growth values. The Russell 1000® Index is an index of approximately 1,000 of the largest U.S. companies based on a combination of market capitalization and current index membership.

The **MSCI EAFE Index** (Europe, Australia, Far East) is a free float-adjusted market capitalization index that is designed to measure the international equity market performance of developed markets, excluding the US & Canada. 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 MSCI EAFE Index currently consists of 21 developed market country indices. The performance of the Index is listed in U.S. dollars and assumes reinvestment of net dividends.

The **MSCI Emerging Markets Index** (MSCI EM) is a free float-adjusted market capitalization weighted index that is designed to measure equity market performance of emerging markets.

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