A Sub-Fund of Morgan Stanley Investment Funds

Emerging Leaders Equity Fund

EMERGING MARKETS EQUITY TEAM

Performance Review

In the one month period ending 30 September 2025, the Fund's Z shares returned 2.61% (net of fees)[1], while the benchmark returned 7.15%.

Through Comm Translation During the second quarter, emerging markets (EM) equities outperformed both the S&P 500 Index and MSCI All Country World Index. Korea was the best performing market, rallying nearly +33% during the quarter[2] following the presidential victory for the opposition party leader Lee Jae-Myung, sparking hope for Commercial Code revisions passage. Taiwan also outperformed (+26.09%)[2] as the tech sector rallied on artificial intelligence (AI) optimism. Mexico was one of the best performing markets during the quarter (+20.53%)[2] among the large EM countries as tariff concerns eased. Brazil also continued its rally into June, ending the quarter up +13.30%.[2]

The Fund outperformed the benchmark for the quarter as both stock selection and country allocation contributed. Our zero-weight allocation to China was the largest contributor to returns. Our stock selection in Brazil contributed, as did our stock selection in Mexico, led by our overweight selection to Banorte.

While our overweight allocation to India detracted, our positive stock selection offset the drag and contributed to returns. India (+9.22%)[2] lagged its regional peers, as concerns of growth outlook, high valuations and lack of exposure to AI led to muted returns. Our zero-weight allocations to Saudi Arabia and Thailand also contributed. Our stock selection in and underweight allocation to Taiwan detracted along with our underweight allocation to Korea.

At the stock level, our overweight allocation to MercadoLibre contributed as it sustained its strong performance after reporting better-than-expected first quarter results. The company has also been relatively shielded from tariff impacts given its lack of presence in the U.S. Unlike its local peers that have reduced capital expenditure spending amid Brazil's persistent inflation and weakening currency, MercadoLibre has continued to invest in logistics, technology and marketing. Our zero-weight allocation to Alibaba Group added to returns as the stock declined amid tariff impact to its underlying business and intensified domestic competition. Our overweight allocation to Coupang was beneficial after the company announced a share buyback along with continued market share gains within Korea retail. Korean internet stocks also rallied on newly elected President Lee's support for various crypto/digital asset initiatives and the push for won-based stablecoins.

Our overweight allocation to Varun Beverage (India-based Pepsi bottler) detracted as the share price consolidated on concerns over increased competition from a new launch by Reliance Industries and slower consumption . Our overweight allocation to Raia Drogasil (Brazilian pharmaceutical retailer) detracted when the stock fell to record lows after reporting weaker-than-expected first quarter earnings driven by lower top-line growth and material gross margin compression. Company management signalled that they anticipate a reversal of this trend in the coming quarters. Our underweight selection to TSMC and zero-weight selection to SK Hynix detracted as semiconductor and AI-related optimism continued in June, particularly after Nvidia's strong momentum. Our overweight selection to E-Ink was under pressure from potential tariff impacts. We believe its electronic shelf label (ESL) business should benefit from the potential labour shortage in the U.S.

Portfolio Activity

During the quarter, we added to our Brazil exposure. Here, we initiated a position in XP as we believe it can gradually benefit from local investors' shift towards equities (higher fees) away from fixed income products, in which XP has lower business exposure, as the interest rate cycle unwinds. In addition, it has increased its capital markets offerings and strengthened fixed income products business over last few years. We believe valuations continue to be attractive for Brazil overall including XP. We funded the trade by trimming our position in Nu Holdings.

We initiated a new position in Samvardhana Motherson in India. The company has a proven track record in the auto components business where it continues to gain share as the industry consolidates. In addition, its presence is increasing in the aerospace component segment (recently signed as Tier-1 Airbus supplier) and electronics manufacturing (recent joint venture into the Apple supply chain). The stock has been impacted by tariff concerns and a potential auto slowdown in European Union and U.S. markets, giving us an attractive entry point. We funded the trades by trimming our position in TVS Motor, where we took profits after a good run in the stock.

We also initiated a position in SEA Ltd as the company has been consistently surprising to the upside on ecommerce profitability while building a profitable fintech business. Strong gross merchandise value growth looks to be achievable. If the company can

1 Source: Morgan Stanley Investment Management Limited. Data as of 30 September 2025.
2 Regional and country returns are represented by their respective MSCI regional/country indexes, which are broad measures of the region/country's stock market performance. Data as of 30 June 2025.

deliver on our expected target, we expect material improvement in the core e-commerce profitability.

We also initiated a toehold position in HDB Financial Services through its initial public offering (IPO). HDB is a leading non-banking financial company (NBFC) based in India and is primarily owned by HDFC Bank. At its current valuation, we think its estimated full-year 2027 book business offers reasonable risk-reward. We believe the business can benefit from the RBI's ongoing efforts to boost credit growth in the system through various liquidity measures. We think that margins could also benefit from the interest rate cut cycle.

We also initiated a toehold position in Optima Bank. This bank has emerged as a strong challenger in Greece, focusing on lending to small and medium-sized corporates as incumbent banks have focused on larger corporates or managing their treasury operations. Additionally, Optima's business has been able to build a strong funding source with a deposit franchise selectively targeting the premium segment of Greece households without opening too many branches.

We trimmed FEMSA as the stock has performed well year-to-date but is facing short-term issues in its core retail business due to slow same-store sales growth. While FEMSA continues to be a great compounder, we trimmed our position given the volatility associated with Mexico. We may rebuild the position at a later time if it offers an improved risk-reward. We rotated some of the capital to SEA Ltd where we believe risk-reward is substantially more attractive.

In India, we reduced the position in Indian financials HDFC Bank after the relative outperformance and reallocated the capital to better relative opportunities.

We also trimmed the holding in Globant, where the stock has seen significant derating. We have entered a limited visibility period for IT services demand given tariff-related macro uncertainties and potential economic slowdown. Globant's outperformance relative to peers has been slowing down in recent quarters, reducing our optimism on the name.

We also have pared our holding in TSMC as we believe we are approaching peak levels on AI server demand.

Strategy and Outlook

We believe emerging markets continue to be well positioned to benefit as investors look for the next areas of growth and as the valuations and currencies look compelling. The strategy's largest exposures — to countries such as India and Brazil — are more domestic-focused rather than export-reliant and are relatively better sheltered from the ongoing tariff friction compared to the rest of the emerging markets. India, Brazil and Mexico could also see more manufacturing investments as a result of U.S.-imposed tariffs, thus strengthening their overall economies. The recent U.S. dollar weakness has also been a notable theme, and we expect EM to remain a beneficiary of that trend.

While India has experienced some cyclical slowdown in the recent months, we expect it to be transient in nature rather than structural. Monetary and fiscal policies remain significantly prudent, which provide meaningful macro stability to the country. India continues to offer attractive opportunities, and our research shows that India consistently tops the list of having the largest number of compounders across any emerging market. The strategy's positions in India are well diversified across sectors (financials, consumer, industrials, telecoms, real estate, materials) and between domestic-oriented and external-facing opportunities.[3]

We believe many of China's macro challenges (high debt-to-gross domestic product ratio, low capital productivity, higher reliance on exports and low consumption share of gross domestic product) will need a longer-term approach, and the current policy measures may not offer structural fixes to those issues. We expect some of the China outperformance to further unwind during the remainder of 2025 as the market realizes the ongoing fiscal announcements may not address the structural issues that the Chinese economy faces. Tariffs by the U.S. will create further challenges for an export-driven economy.

Competition within Chinese companies remain intense, and this leads them to be in continuous investment mode, at times creating overcapacity that constrains value creation for investors. Our view is that China will likely remain volatile, guided by government intervention and the ongoing tariff noise. As we are long-term investors who favour visibility of earnings and growth in the companies/markets that we invest in, we find it challenging to dedicate significant exposure to China. That said, given that China is home to some world-class technology entrepreneurs and a sizable consumption base, we continue to search for those hidden structural opportunities.

We continue to focus on finding what we consider to be great quality businesses across emerging markets at fair valuations while avoiding tail risks such as regulatory, key man and capital misallocation. In these days of exceptional volatility, valuations can get dislocated on both sides in very short time periods, providing good opportunities to both buy and sell stocks. At the margin we find value in Brazil, Mexico and India, and that's where we may look to deploy incremental cash flows.

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

Fund Facts

Launch date	17 August 2012
Base currency	U.S. dollars
Benchmark	MSCI Emerging Markets (Net) Index

[3] Diversification neither assures a profit nor guarantees against loss in a declining market.

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	9.15	2.96	12.41	-33.10	2.91	58.88	26.14	-12.78	26.73	2.53	-6.44
MSCI Emerging Markets (Net) Index	27.53	7.50	9.83	-20.09	-2.54	18.31	18.42	-14.57	37.28	11.19	-14.92

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 to see the latest performance returns for the fund's other share classes.**

Effective 27 October 2023, the MS INVF Latin American Equity Fund was merged into the MS INVF Emerging Leaders Equity Fund.

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.
- Investments in China involves a risk of a total loss due to factors such as government action or inaction, market volatility and reliance on primary trading partners.
- Investment in China A-Shares via Shanghai-Hong Kong and Shenzhen-Hong Kong Stock Connect programs may also entail additional risks, such as risks linked to the ownership of shares.
- There are increased risks of investing in emerging markets as political, legal and operational systems may be less developed than in developed markets.
- 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 30.09.2025 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.

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

INDEX INFORMATION

The **MSCI Emerging Markets Net Index** is a free float-adjusted market capitalization weighted index that is designed to measure equity market performance of emerging 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 MSCI Emerging Markets Index currently consists of 24 emerging-market country indices. 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.

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