

## A Sub-Fund of Morgan Stanley Investment Funds Global Balanced Defensive Fund

### PORTFOLIO SOLUTIONS GROUP

#### Performance Review

In the one month period ending 30 September 2025, the Fund's Z shares returned 0.87% (net of fees)<sup>1</sup>.

Trade worries receded further and the U.S. Federal Reserve (Fed) enacted a long-awaited interest rate cut, driving risk assets higher in September. Global equities were again led by artificial intelligence (AI)-related stocks. The month also saw political upheaval in France and Japan and a looming U.S. government shutdown. Long-term government bond yields fell in the U.S. but were little changed in Germany and the U.K. as the European Central Bank and Bank of England paused their interest rates cuts during the month. Energy commodities modestly declined on the month while gold and industrial metals advanced.

Our allocations to U.S. equities, emerging markets equities and European equities were the top contributors to performance. There were no detractors over the month of September.

#### Market Review

##### United States

The MSCI USA Index returned 3.64% in U.S. dollar (USD) terms and 3.15% in euro terms in September. U.S. manufacturing and service sector activity was subdued at the end of the third quarter. The Institute for Supply Management (ISM) Manufacturing PMI rose to 49.1% in September from 48.7% in August, signalling a softer deterioration in the sector's business conditions. A return to growth in production volumes drove the improvement; however, it was partly offset by new orders falling back into contraction. Manufacturing employment continued to shrink, albeit at a slower rate. The ISM Services PMI fell to 50.0% in September, from 52.0% in August, registering no change in operating conditions. Business activity contracted after growing the prior month, while new orders growth slowed sharply and the pace of job losses eased.

The headline consumer price index (CPI) was up 2.9% in the year ended August 2025, a faster rise than July's 2.7% increase, according to the U.S. Bureau of Labor Statistics (BLS). Core CPI, which excludes food and energy, rose 3.1% in the 12 months ended August 2025, unchanged from July. Updated unemployment data was not available at the time of writing due to the partial government shutdown that began 1 October.

##### Eurozone

The MSCI Europe Index returned 1.59% in euro terms and 2.07% in USD terms in September. Eurozone PMI data presented a mixed picture in September. After rebounding to expansion (50.7) in August, the HCOB Eurozone Manufacturing PMI resumed a downturn (49.8) in September. New orders contracted again after increasing the prior month, production growth weakened and job losses accelerated. The HCOB Eurozone Services PMI improved to 51.3 in September, from 50.5 in August, supported by modest growth in new business and hiring.

Annual headline inflation increased to 2.2% in September 2025, from 2.0% in August 2025, according to Eurostat's flash estimate. Annual core inflation (excluding energy, food, alcohol and tobacco) rose an estimated 2.3% in September, holding steady from August. In a separate Eurostat report, the unemployment rate in August 2025 was estimated at 6.3% in the euro area, versus 6.2% in July, and 5.9% in the European Union, unchanged from July.

##### Japan

The MSCI Japan Index returned 3.04% in yen terms and 2.44% in USD terms in September. Japan's manufacturing sector weakened further while the service sector notched an improvement. The S&P Global Japan Manufacturing PMI slid to 48.5 in September, from 49.7 in August, weighed down by faster declines in new orders and production volumes and a slower pace of hiring. The S&P Global Japan Services PMI increased to 53.3 in September, from 53.1 in August. New business continued to expand, at the same rate as the previous month, and staffing was increased for the first time in three months.

Headline inflation rose 2.7% over the year ended August 2025, easing from 3.1% in July 2025, as reported by the government's statistics office. Japan's unemployment rate was 2.6% in August 2025, up from 2.3% in July 2025. Household spending rose 2.3% (in real terms) in the year ended August 2025.

#### Portfolio Activity

In early September, we increased our equities exposure, which was funded by reducing our fixed income exposure in government and corporate bonds.

Within European equities, we exited our exposure in the MDAX Basket and added a new position in a German Stimulus Basket. We continue to hold a positive view on structural trends in Europe, but earnings revisions at the broad index level continue to lag other regions. As such, we have opted for a more targeted approach to compose our exposure and retain our overweight to German

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

mid-caps.

We added a U.S. policy basket, which has exposure to select industrial and construction companies, given the coordinated efforts across trade, fiscal and deregulation policy to support U.S. industrial production.

We also added a new position in an AI defence basket, as the global defence industry appears well positioned to benefit from the adoption and usage of AI, with much of the increase in global defence spending projected to flow to these new technologies.

Within fixed income, we added a new position in TIPS (Treasury inflation-protected securities), as we believe there may be some value in this space, particularly on the longer-maturity sections of the curve, if inflation remains sticky or even reaccelerates in 2026.

We remain underweight in duration. We continue to believe the market is too negative about the U.S. economic outlook, even as recent trends surprise to the upside. As such, we think it is unlikely that the 10-year U.S. Treasury yield falls materially below 4% and stays there for any length of time. The portfolio's effective equity exposure at the end of the month was 23.16%.

## Strategy and Outlook

Equity market strength has been supported by AI optimism, an overall macro data trend that has lifted gross domestic product (GDP) growth estimates higher, a labour market that has shown sufficient weakness to justify Fed cuts without triggering near-term growth concerns, and expectations for fiscal tailwinds in 2026.

While a multitude of factors contributed to AI optimism in September, Oracle's earnings call was a notable catalyst. The stock jumped 36% after offering projections for aggressive growth in its cloud infrastructure business, supported by AI-related demand. This served to validate the perception of AI as a significant and durable theme, refocused attention to upside risks as a balance to downside risks, and broadened the focus beyond the largest index weights.

The clearest signal of macroeconomic support for financial markets comes from the positive revision to the second quarter 2025 U.S. real GDP estimates. Since April, the third quarter of 2025 has been projected to be the peak of tariff-related headwinds and thus the weakest period of growth. Tariff de-escalation and relatively resilient data has already lifted third quarter 2025 real GDP growth consensus forecasts from 0.5% in May to 1.0% by the end of August, but strong data saw this estimate rise to 1.67% by the end of September.<sup>2</sup> Upside has been seen in both consumer spending trends and in investments. Potential explanations include slower-than-expected pass-through of tariffs to consumers, early benefits of fiscal support, wealth effects from financial markets and flexibility in the gig economy mitigating some pressures on the lower-end consumer.

The September Fed meeting met expectations with the Fed cutting its policy rate by 25 basis points. The dot plot signalled more cuts to come, with the 2025 median dot pointing to an additional two cuts by year-end. As previewed in Chair Powell's Jackson Hole speech, the cut was framed as serving a risk management purpose based on downside risks seen in the labour market trend. Rate cuts add further support to the forward growth outlook.

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

## Fund Facts

Launch date	23 August 2016
Base currency	Euro

## 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	1.59	7.95	4.91	-8.74	4.33	-0.38	5.59	-2.26	0.63	--	--

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: Bloomberg L.P. as of 30 September 2025.

## 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 value of bonds are likely to decrease if interest rates rise and vice versa.
- The value of financial derivative instruments are highly sensitive and may result in losses in excess of the amount invested by the Sub-Fund.
- Issuers may not be able to repay their debts, if this happens the value of your investment will decrease. This risk is higher where the fund invests in a bond with a lower credit rating.
- 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 fund's ability to buy or sell securities.
- Commodity investments can change significantly and quickly in value as a large variety of factors affect them.

- 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](http://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](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. Luxembourg 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.

### 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.

All investments involve risks, including the possible loss of principal. The material contained herein has not been based on a consideration of any individual client circumstances and is not investment advice, nor should it be construed in any way as tax, accounting, legal or regulatory advice. To that end, investors should seek independent legal and financial advice, including advice as to tax consequences, before making any investment decision.

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.

Morgan Stanley Investment Management 'MSIM', the asset management division of Morgan Stanley (NYSE: MS), has not authorised financial intermediaries to use and to distribute this material, unless such use and distribution is made in accordance with applicable law and regulation. MSIM shall not be liable for, and accepts no liability for, the use or misuse of this material by any such financial intermediary.

The whole or any part of this material may not be directly or indirectly reproduced, copied, modified, used to create a derivative work, performed, displayed, published, posted, licensed, framed, distributed or transmitted or any of its contents disclosed to third parties without the Firm's express written consent. This material may not be linked to unless such hyperlink is for personal and non-commercial use. All information contained herein is proprietary and is protected under copyright and other applicable law.

This material may be translated into other languages. Where such a translation is made, this English version remains definitive; any discrepancies with another language, the English version prevails.

This material has been prepared on the basis of publicly available information, internally developed data and other third-party sources believed to be reliable. However, no assurances are provided regarding the reliability of such information and MSIM, the Firm has not sought to independently verify information taken from public and third-party sources.

Forecasts and/or estimates provided herein are subject to change and may not actually come to pass. Information regarding expected market returns and market outlooks is based on the research, analysis and opinions of the authors or

the investment team. These conclusions are speculative in nature, may not come to pass and are not intended to predict the future performance of any specific strategy or product the Firm offers. Future results may differ significantly depending on factors such as changes in securities or financial markets or general economic conditions.

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

## INDEX INFORMATION

The **MSCI USA Index** is designed to measure the performance of the large and mid cap segments of the US market. With 631 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in the US.

The **MSCI Europe Index** is a free float-adjusted market capitalization index that is designed to measure developed market equity performance in Europe. 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 **MSCI Japan Index** is a free-floated adjusted market capitalization weighted index that is designed to track the equity market performance of Japanese securities listed on the Tokyo Stock Exchange, Osaka Stock Exchange, JASDAQ and Nagoya Stock Exchange. The MSCI Japan Index is constructed based on the MSCI Global Investable Market Indices Methodology, targeting a free-float market capitalization coverage of 85%.

## DISTRIBUTION

**This material is only intended for and will be only distributed to persons resident in jurisdictions where such distribution or availability would not be contrary to local laws or regulations. It is the responsibility of any person in possession of this material and any persons wishing to make an application for Shares in pursuant to the Prospectus to inform themselves and observe all applicable laws and regulations of any relevant jurisdictions.**

**MSIM and its affiliates have arrangements in place to market each other's products and services. Each MSIM affiliate is regulated as appropriate in the jurisdiction it operates. MSIM's affiliates are: Eaton Vance Advisers International Ltd, Calvert Research and Management, Eaton Vance Management, Parametric Portfolio Associates LLC, Atlanta Capital Management LLC and Parametric SAS.**

**In the EU,** this material is issued by MSIM Fund Management (Ireland) Limited ('FMIL'). FMIL is regulated by the Central Bank of Ireland and is incorporated in Ireland as a private company limited by shares with company registration number 616661 and has its registered address at 24-26 City Quay, Dublin 2, DO2 NY19, Ireland.

**Outside the EU,** this material is issued by MSIM Ltd is authorized and regulated by the Financial Conduct Authority. Registered in England. Registered No. 1981121. Registered Office: 25 Cabot Square, Canary Wharf, London E14 4QA.

**Switzerland:** MSIM materials are available in German and are issued by Morgan Stanley & Co. International plc, London (Zurich Branch) Authorised and regulated by the Eidgenössische Finanzmarktaufsicht ("FINMA"). Registered Office: Beethovenstrasse 33, 8002 Zurich, Switzerland.

**Saudi Arabia:** This document may not be distributed in the Kingdom except to such persons as are permitted under the Investment Funds Regulations issued by the Capital Market Authority. The Capital Market Authority does not make any representation as to the accuracy or completeness of this document, and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this document. Prospective subscribers of the securities offered hereby should conduct their own due diligence on the accuracy of the information relating to the securities to be offered. If you do not understand the contents of this document, you should consult an authorised financial adviser.

This financial promotion was issued and approved for use in Saudi Arabia by Morgan Stanley Saudi Arabia, Al Rashid Tower, Kings Sand Street, Riyadh, Saudi Arabia, authorized and regulated by the Capital Market Authority license number 06044-37.

**Hong Kong:** This material is disseminated by Morgan Stanley Asia Limited for use in Hong Kong and shall only be made available to "professional investors" as defined under the Securities and Futures Ordinance of Hong Kong (Cap 571). The contents of this material have not been reviewed nor approved by any regulatory authority including the Securities and Futures Commission in Hong Kong. Accordingly, save where an exemption is available under the relevant law, this material shall not be issued, circulated, distributed, directed at, or made available to, the public in Hong Kong.

**Singapore:** This material should not be considered to be the subject of an invitation for subscription or purchase, whether directly or indirectly, to the public or any member of the public in Singapore other than (i) to an institutional investor under section 304 of the Securities and Futures Act, Chapter 289 of Singapore ("SFA"); or (ii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA. In particular, for investment funds that are not authorized or recognized by the MAS, units in such funds are not allowed to be offered to the retail public; any written material issued to persons as aforementioned in connection with an offer is not a prospectus as defined in the SFA and, accordingly, statutory liability under the SFA in relation to the content of prospectuses does not apply, and investors should consider carefully whether the investment is suitable for them. In cases where you are dealing with a representative of Morgan Stanley Asia Limited, and where such representative is acting on behalf of Morgan Stanley Asia Limited, please note that such representative is not subject to regulatory requirements issued by the Monetary Authority of Singapore nor is under the supervision of the Monetary Authority of Singapore. For any issues which may arise in your dealing with such representative, please approach the Singapore-based contact person who has been established as your local contact person.

**Australia:** This material is provided by Morgan Stanley Investment Management (Australia) Pty Ltd ABN 2212204-0037, AFSL No. 314182 and its affiliates and does not constitute an offer of interests. Morgan Stanley Investment Management (Australia) Pty Limited arranges for MSIM affiliates to provide financial services to Australian wholesale clients. Interests will only be offered in circumstances under which no disclosure is required under the Corporations Act 2001 (Cth) (the "Corporations Act"). Any offer of interests will not purport to be an offer of interests in circumstances under which disclosure is required under the Corporations Act and will only be made to persons who qualify as a "wholesale client" (as defined in the

Corporations Act). This material will not be lodged with the Australian Securities and Investments Commission.

**Chile:** Potential investors are advised that this document refers to foreign securities that may be registered in the Foreign Securities Register ("FSR") from the Commission for Financial Markets (Comisión para el Mercado Financiero or "CMF") (the "Registered Securities") or that may not be registered in the FSR (the "Non-Registered Securities").

**For Registered Securities, please be advised:** The securities being offered are foreign. Shareholder rights and obligations are those of the issuer's home jurisdiction. Shareholders and potential investors should inform themselves on what those rights and obligations are and how to exercise them. CMF supervision of the securities is limited to information requirements in Rule 352, overall supervision is conducted by the foreign regulator in the issuer's home jurisdiction. Public information available for the securities is exclusively that required by the foreign regulator and accounting principles and auditing rules might differ to those applicable to Chilean issuers. The provisions on Article 196 of Law 18.045 are applicable to all parties involved in the registration, deposit, transaction and other acts associated with the foreign securities ruled by Title XXIV of Law 18.045.

**For Non-Registered Securities, please be advised:** THE SECURITIES INCLUDED IN THIS DOCUMENT ARE NOT REGISTERED IN THE FSR AND OFFERS REGARDING SUCH SECURITIES WILL BE CONDUCTED SUBJECT TO GENERAL RULE N°336 OF THE CMF, BEGINNING AT THE DATE OF THIS DOCUMENT. THESE ARE FOREIGN SECURITIES AND THEIR ISSUER IS UNDER NO OBLIGATION TO PROVIDE PUBLIC DOCUMENTS IN CHILE. THE SECURITIES ARE NOT SUBJECT TO THE SUPERVISION OF THE CMF AND CANNOT BE PUBLICLY OFFERED. THEREFORE, THIS DOCUMENT AND OTHER OFFERING MATERIALS RELATING TO THE OFFER OF THE INTERESTS IN THE FUND DO NOT CONSTITUTE A PUBLIC OFFER OF, OR AN INVITATION TO SUBSCRIBE FOR OR PURCHASE, THE FUND INTERESTS IN THE REPUBLIC OF CHILE.

Please contact your local Distributor or the person who provided this document for information on the registration status of specific securities.

**Peru:** The Fund is a sub Fund of the Morgan Stanley Investment Funds, a Luxembourg domiciled Société d'Investissement à Capital Variable (the "Company") is registered in the Grand

Duchy of Luxembourg as an undertaking for collective investment pursuant to Part 1 of the Law of 17th December 2010, as amended. The Company is an Undertaking for Collective Investment in Transferable Securities ("UCITS"). If the Fund and the interests in the Fund have been registered in Peru under *Decreto Legislativo 862: Ley de Fondos de Inversión y sus Sociedades Administradoras* as amended; under *Decreto Legislativo 861: Ley del Mercado de Valores* (the "Securities Market Law") as amended, and under the *Reglamento del Mercado de Inversionistas Institucionales* approved by *Resolución SMV N°021-2013-SMV/01* as amended by the *Resolución de Superintendente N°126-2020-SMV/02* (the "Reglamento 1") and *Resolución de Superintendente N°035-2021-SMV/02* (the "Reglamento 2"), and are being offered to institutional investors only (as defined in article 8 of the Securities Market Law) under the special public offering directed exclusively to the institutional investors under the *Reglamento 1 and Reglamento 2*, then the interests in the Fund will be registered in the Section "*Del Mercado de Inversionistas Institucionales*" of the Securities Market Public Registry (*Registro Público del Mercado de Valores*) maintained by the *Superintendencia del Mercado de Valores (SMV)*, and the offering of the Fund interests in Peru only to institutional investors will be subject to the supervision of the SMV, as well as any transfers of the Fund interests shall be subject to the limitations contained in the Securities Market Law and the regulations issued thereunder mentioned before, under which the Fund interests may only be transferred between institutional investors under Article 27 of the *Reglamento 1 and Reglamento 2*. If neither the Fund nor the interests in the Fund have been and will not be registered in Peru under *Decreto Legislativo 862* and under *Decreto Legislativo 861 referenced above*, nor they will be subject to a public offering directed to institutional investors under the *Reglamento 1*, and will be offered to institutional investors only (as defined in article 8 of the Securities Market Law) pursuant to a private placement, according to article 5 of the Securities Market Law, the interests in the Fund will not be registered in the Securities Market Public Registry maintained by the *SMV*, and the offering of the Fund interests in Peru to institutional investors nor the Fund will be subject to the supervision of the SMV, and any transfers of the Fund interests shall be subject to the limitations contained in the Securities Market Law and the regulations issued thereunder mentioned before, under which the Fund interests may only be transferred between institutional investors.