A Sub-Fund of Morgan Stanley Investment Funds

Global Balanced Risk Control Fund of Funds

PORTFOLIO SOLUTIONS GROUP

Performance Review

In the one month period ending 30 September 2025, the Fund's Z shares returned 1.33% (net of fees)[1].

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 Invesco S&P 500 UCITS ETF, MS INVF U.S. Growth Fund and MS INVF Sustainable Emerging Market Fund were the top contributors to performance, while our allocation to Vontobel U.S. Equity Fund was the top detractor 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 Invesco MDAX UCITS ETF 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

[1] Source: Morgan Stanley Investment Management Limited. Data as of 30 September 2025.

to lag other regions. As such, we have opted for a more targeted approach to compose our exposure and retain our overweight to German 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) via iShares $TIPS UCITS ETF EUR Hedged Acc, 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 51.4%.

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.[2] 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	02 November 2011
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	1.16	15.23	8.08	-13.64	4.28	7.21	8.80	-4.51	6.68	5.81	5.30

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.**

[2] 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 funds ability to buy or sell securities.
- 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.

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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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%.

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.

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