A Sub-Fund of Morgan Stanley Investment Funds

Indian Equity Fund

EMERGING MARKETS EQUITY TEAM

Performance Review

In the one month period ending 30 September 2025, the Fund's I shares returned 0.10% (net of fees)[1], while the benchmark returned 0.50%.

India (+0.50%, MSCI India Index) ended the month flat. Early gains driven by optimism over the goods and services tax (GST) rate reductions were offset by announcements of the $100,000 increase in U.S. H-1B visa fees and the imposition of a 100% tariff on pharmaceutical imports.

Our stock selection in the financials sector and stock selection in and the overweight to consumer discretionary sector contributed to returns. Our underweight allocation to the information technology sector also contributed to returns. Our stock selection within the materials and communication services sectors detracted. Our stock selection in and underweight allocation to the industrials sector also detracted.

Our overweight selection to Cholamandalam Investment contributed to returns as the stock rose, along with other financial services stocks, on optimism following the rationalization of GST rates on multiple products and services, effective 22 September. The month also saw a broker upgrade that supported the stock. We believe the GST rate cut should revive demand for new passenger vehicle financing ahead. The used vehicle segment, across both the commercial and passenger vehicle categories, is likely to remain stable as well, supporting the stock.

Our overweight selection to Samvardhana Motherson contributed as auto manufacturers rose on the rationalization of GST consumption taxes. GST on small cars and motorcycles with engine capacity up to 350 cc was reduced from 28% to 18%. The reduction was aimed at stimulating demand in the mass mobility segment. Additionally, the GST rate on parts and accessories for motorcycles up to 350 cc was also reduced to 18%.

Our overweight selection to Crompton Greaves detracted, due to an expectation of a weak quarter ahead on prolonged monsoons and deferred demand because of the GST cuts. We remain optimistic about Crompton's medium-term growth plan as outlined in the Crompton 2.0 strategy roadmap, some of the new category launches like kitchen appliances, on track progress on Butterfly, and festive demand support from GST rationalizations.

Our overweight selection to Bharti Hexacom detracted. A few brokers downgraded the stock on valuation concerns. We continue to favor Bharti Hexacom over Bharti Airtel due to: a) better return ratios due to capital expenditure offloading to Bharti, b) arguably faster average revenue per user than Bharti Airtel due to circles where 4G/5G penetration is low, and c) better comfort on capital allocation given that government ownership is still approximately 15%. We are optimistic about the company's improving free cash flow generation and incrementally higher returns on invested capital.

Market Review

The MSCI India Index (up +0.50%) underperformed the MSCI Emerging Markets Index (up 7.15%) in September in U.S. dollar terms. The S&P BSE Sensex (up +0.6%) and the S&P BSE Midcap Index (up +0.6%) underperformed the S&P BSE SmallCap Index (up +1.4%) in September, while the MSCI India Growth Index (up +0.4%) underperformed the MSCI India Value Index (up +0.6%).

Foreign institutional investors (FIIs) remained sellers for the third consecutive month with $1.7 billion of selling in September, most of it occurring in the second half of the month. On the other hand, domestic institutional investor inflows remained consistent at $3.2 billion. Systematic investor plan (SIP) inflows hit record highs at $3.2 billion in August.[2]

The GST Council passed the long-awaited reforms to India's GST to rationalize and simplify the tax structure and improve compliance, which started on 22 September. The number of GST bands have been reduced from four bands plus cesses to three bands with cesses removed – 5% for essentials, 18% standard, and 40% for luxury and sin goods.

In September, the rupee depreciated by -0.7% against the U.S. dollar and depreciated by -1.3% against the euro.[3]

Oil prices rose by approximately +0.55% in September in rupee per barrel terms on demand concerns.[4]

1 Source: Morgan Stanley Investment Management Limited. Data as of 30 September 2025.
2 Source for all India flows data: National Securities Depository Limited and Association of Mutual Funds in India. Data as of September 2025.
3 Source: J.P. Morgan – India Equity Strategy, published 1 October 2025.
4 Source: Bloomberg L.P., based on Indian Basket of Crude Oil Prices Daily Index, which measures the price of crude oil imports in India.

Portfolio Activity

We trimmed and right-sized our position in Ixigo post its recent runup. We reallocated the capital to Avenue Supermarts and JSW Cement. Avenue Supermarts (DMART) is a high-quality brick and mortar retail franchise in India. While we were previously cautious due to heighted competition and slower expansion, these headwinds have shown signs of bottoming out. JSW Cement is a leading cement manufacturer that has benefited from strong synergies with the established JSW Group, such as reliable access to raw materials and energy. With its strong parentage, strategic location of facilities and focus on stable operations, we think JSW Cement is well positioned for future growth in the industry.

We trimmed our position in Vikram Solar, one of India's largest solar photovoltaic (PV) module manufacturers. We had subscribed to its initial public offering as we found the valuations attractive and optionality of cell plant (direct lift-up of 6 gigawatt capacity from Southeast Asia) meaningful. However, the 50% tariff by the U.S. complicates the dynamics of India's solar manufacturers. U.S. exports have been a sizable profit pool in past few years. We see a risk of lack of exports opportunities potentially impacting domestic supply/demand dynamics. We trimmed our solar exposure and will monitor the tariff situation until we have an active view on the India-U.S. tariff normalization.

Strategy and Outlook

September high-frequency indicators continued to show mixed results, partly impacted by the 16-day inauspicious period of "pitru-paksha". Within auto sales, two-wheeler retail sales moderately rose by 9.3% while passenger vehicles sales hit a nine-month high, rising 4.9% on a year-on-year basis in September. Credit growth ticked up to 10.4% year-on-year in September versus 10.0% in August. Average daily credit card spending rebounded to 13.4% year-on-year in September from 1.6% in August.[5]

September GST collections ticked up to 1.89 trillion rupees, growing at 9.1% year-on-year versus 6.5% in August.[5] The manufacturing purchasing manager's index (PMI) ticked down to 57.7 while services PMI edged down to 60.9, caused by a slower increase in new business and weak international sales.[5]

September's headline consumer price index (CPI) slowed to 1.54% year-on-year, the lowest since July 2017, due to base effects.[6] Food CPI declined at a faster pace of -2.3% year-on-year in September from -0.7% in August. Core CPI (excluding food and fuel) ticked up to 4.6% year-on-year in September.

September saw initial optimism driven by GST rationalization, expectations of a U.S. Federal Reserve rate cut and renewed trade talks — which were offset to an extent by a $100,000 hike in H-1B visa fees, 100% tariffs on pharmaceutical imports and strong capital market momentum impacting broader market flows during the month. While most consumer companies would likely see an impact from deferred demand from the tax cut implementation in the second quarter, we expect the tax cuts to act as a powerful near-term policy tailwind for consumer spending.

As we had previously noted, the return of fiscal spending was likely to become increasingly important and recent developments have underscored this view. With external headwinds from the H-1B visa impact on Indian IT exports and uncertainty stemming from U.S. tariffs more generally for exporters, the relevance of government spending has become even more pronounced. Encouragingly, recent policy actions suggest the government has recognized and acknowledged this need. Over the past six months, the policy pivot has been decisive: successive interest rate and cash reserve rate cuts, deregulation and liquidity infusions, front-loaded public capital expenditure, and nearly 2 trillion rupees in GST reductions[7]— largely skewed toward mass-consumption categories — all point to a deliberate push to stimulate domestic demand. In our view, these measures set the stage for a potentially positive growth surprise in the coming months, and we remain positioned across non-bank financials and consumer discretionary names accordingly.

We continue to monitor the evolving dynamics of U.S.-India relations but remain cautious on exporters and IT services given the potential for event-driven volatility. Conversely, the easing of tensions with China and its own anti-involution measures can further support the constructive growth backdrop for India. In anecdotal conversations, we are seeing that the U.S. tariffs are a near-term headwind, but they are also a catalyst for reorientation. Indian exporters and suppliers will likely seek alternate markets, creating opportunities for engineering goods and chemicals, as supply chains adjust. We are opportunistically evaluating such spaces. Lastly, with the government's strong focus on self-reliance in the defense and energy generation sectors, we continue to believe this theme shall spearhead medium- to long-term capital expenditure in the economy and strengthen India's strategic autonomy.

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

Fund Facts

Launch date	30 November 2006
Base currency	U.S. dollars
Benchmark	MSCI India (Net) Index

5 Source: Source for credit growth, GST and PMI data: Morgan Stanley – India Economics: India Trendspotting, published 6 October 2025.
6 Source: Source for CPI data: Morgan Stanley – India Economics, published 13 October 2025.
7 Source: Business Standard, 17 September 2025.

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 I Shares	-3.18	22.68	21.22	-9.91	32.41	8.79	1.90	-20.24	41.65	2.69	-0.30
MSCI India (Net) Index	-2.06	11.22	20.81	-7.95	26.23	15.55	7.58	-7.30	38.76	-1.43	-6.12

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.**

Share Class I 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.
- 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.

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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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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 does not include any expenses, fees or sales charges, which would lower performance. The index is unmanaged and should not be considered an investment. It is not possible to invest directly in an index.

The **S&P BSE SENSEX (S&P Bombay Stock Exchange Sensitive Index)** is a free-float market-weighted stock market index of 30 well-established and financially sound companies listed on Bombay Stock Exchange.

The **S&P BSE SmallCap Index** measures the small-cap segment of India's stock market.

The **S&P BSE MidCap Index** measures the mid-cap segment of India's stock market.

The **MSCI India Growth Index** captures large- and mid-cap securities exhibiting overall growth style characteristics in India, as defined by long-term forward earnings per share (EPS) growth rate, short-term forward EPS growth rate, current internal growth rate and long-term historical EPS growth trend and long-term historical sales per share growth trend.

The **MSCI India Value Index** captures large- and mid-cap Indian securities exhibiting overall value style characteristics, as defined by book value to price, 12-month forward earnings to price and dividend yield

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