A Sub-Fund of Morgan Stanley Investment Funds

Asia Opportunity Fund

GLOBAL OPPORTUNITY

Investors should note that, relative to the expectations of the Autorité des Marchés Financiers, this UCITS presents disproportionate communication on the consideration of extra-financial criteria in its management.

Performance Review

In the one month period ending 31 December 2025, the Fund's Z shares returned -0.45% (net of fees)[1], while the benchmark returned 2.72%.

In the quarter ended 31 December 2025, the Fund's Z shares returned -8.61% and the benchmark returned 4.29%.

Year-to-date (YTD), the Fund's Z shares returned 5.77% and the benchmark returned 32.26%.

The Global Opportunity team creates a high conviction, concentrated portfolio of undervalued, high quality businesses. The long-term investment horizon and high active share approach can result in periods of performance deviation from the benchmark. The Fund underperformed the MSCI All Country Asia ex Japan Index this quarter due to unfavourable stock selection and sector allocation.

Market Review

Asia ex Japan equities advanced during the quarter. The information technology, energy, materials and financials sectors outperformed the benchmark, while the consumer discretionary, communication services, health care and consumer staples underperformed the benchmark.

Portfolio Review

A sector overweight allocation to consumer discretionary, a sector underweight allocation to information technology and stock selection in industrials were the greatest overall detractors from relative performance. Top individual detractors included Korean ecommerce platform Coupang, Chinese autonomous driving technology company Pony AI, Southeast Asian super app Grab, Chinese digital freight platform Full Truck Alliance and an underweight position in Taiwan Semiconductor Manufacturing Company.

Conversely, a sector underweight allocation to health care and stock selection in consumer staples and consumer discretionary were the greatest overall contributors to the relative performance of the portfolio during the period. Top individual contributors included lifestyle company Titan, an underweight position in Tencent Holdings, Indian private sector bank Axis Bank, an Indian e-commerce marketplace and an Indian non-banking financial company.

Shares of Coupang declined after reporting a cybersecurity incident involving unauthorised access to customer accounts. We are closely monitoring the issue, and note that the company activated an incident response, disabled the threat actor's unauthorised access, reported the incident to authorities and warned customers of potential impact. Based on company filings, no customer financial information or login credentials were compromised in the incident. Coupang is Korea's largest ecommerce company, operating under a first-party and third-party model, with a focus on building a next-generation customer experience by enabling a large selection of items at low prices delivered on the same or next day, with a frictionless return process. For example, the average Rocket delivery time was under 12 hours and 99% of orders were delivered within one day.[2] We believe Coupang is unique due to its scalable logistics infrastructure, low customer acquisition cost structure, loyal customer base of nearly 14 million paid subscribers[3] to its Rocket WOW membership programme, and a growing third-party marketplace that may be further monetised through advertising and fulfilment services. The company's differentiation and efficient scale may enable it to gain share of a fragmented ecommerce market, with the potential to extend its ecosystem beyond its core business and establish strong positions in new verticals such as food delivery and fintech. Coupang currently accounts for a small percentage of Korea's overall ecommerce market, which is projected to exceed $336 billion by 2027,[4] and we have seen from other geographies that an ecommerce market leader can capture as much as one-sixth of the country's total retail sales.[5]

Shares of Pony AI have been under pressure as widening net losses, high operating costs and investor concerns over profitability weighed on sentiment, while continued volatility across the autonomous driving sector and profit-taking following prior gains added to selling pressure. We believe our investment thesis remains valid: Pony AI is a leading level-4 autonomous driving company operating a fleet of driverless robotaxis and robotrucks through partnerships with major original equipment manufacturers. Pony AI is the only autonomous vehicle company in China to have secured all permits required for public-facing robotaxi operations across all four Tier 1 cities. Its strong technology intellectual property and data network effects create a self-reinforcing advantage: greater

[1] Source: Morgan Stanley Investment Management. Data as of 31 December 2025.
[2] Source: Coupang company data as of 30 September 2025.
[3] Source: Coupang company data as of 30 June 2025.
[4] Source: Payments & Commerce Market Intelligence as of October 2025.
[5] Source: Alibaba earnings call transcript, March Quarter 2020 and FY 2020 Results.

fleet scale drives more data, improving model performance and regulatory acceptance, which in turn attracts more users and partners. Based on its disclosure as of 28 October 2025, it had over 720 robotaxis with more than 48.6 million km of cumulative autonomous driving mileage, including 26.9 million km from its public-facing robotaxi services. We believe Pony AI is well positioned to become a major robotaxi operator in both China and international markets, benefiting from the lower costs, higher safety and near-continuous operating capability of autonomous vehicles.

Shares of Titan outperformed given healthy consumer demand in a strong festive season, which supported robust earnings growth despite continued competitive intensity. Titan is India's leading lifestyle company, with market leading positions in the jewellery, watches and eyecare categories. As India's per capita gross domestic product increases, we believe demand for its product suite, especially jewellery, will likely stay strong. Separately, regulatory reforms and digitisation are making unorganised sectors unprofitable. Titan has been actively deepening its product base to cater to people across economic spectrum and entering new cities/towns, enabling its customer base to increase. We believe these factors can help Titan deliver strong revenue growth for multiple years. It manages its supply chain quite effectively, which has enabled it to generate returns on invested capital that are nearly double those of its closest peers.

Axis Bank is one of the largest private sector banks in India with a strong deposit franchise and a network of almost 6,000 domestic branches and extension counters.[6] In the past five years, Axis Bank has focused on strengthening its balance sheet and investing in technology, and we believe it's likely to see an acceleration in market share gains. Investment in technology enables it to deliver products at lower incremental costs, which we believe can help support strong return on equity (ROE) for the next few years.

Outlook

Quality underperformed by the largest percentage in over 20 years in 2025, trailing the MSCI All Country World Index by 424 basis points (bps) globally.[7] The rotation has benefited shares of lower quality cyclicals characterised by slower growth, lower profitability and higher debt, in a market driven by exuberance for artificial intelligence (AI) and more accommodative monetary policy.

This dynamic has been more pronounced in Asia ex Japan as quality underperformed the region by 1,111 bps in 2025,[8] driven by a rotation into lower quality businesses, particularly in industries where we are underweight, including semiconductors and AI hardware, metals and mining, machinery and heavy industrials. These industries are inherently more cyclical and are driven by shorter-term trends, which align less well with our long-term, fundamentals-based investment approach. Our portfolio has historically underperformed in similar rotational market environments, where top-down factors outweigh bottom-up fundamentals.

Despite a more challenging market environment to navigate, our investment philosophy remains unchanged. We have high conviction in our portfolio holdings, supported by strong execution stories and robust fundamentals. Our portfolio is now trading at an attractive absolute valuation level of 5.6% free cash flow yield, and our companies are expected to grow revenues 12.7% compounded annually over the next three years, versus that of the benchmark at 9.2%.[9]

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

Fund Facts

Launch date	31 March 2016
Base currency	U.S. dollars
Benchmark	MSCI All Country Asia Ex Japan Net Index

Calendar Year Returns (%)

Past performance is not a reliable indicator of future results.

	YTD	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Class Z Shares	5.77	5.77	21.49	-7.01	-21.86	-20.35	51.80	41.66	-14.68	74.92	--
MSCI All Country Asia Ex Japan Net Index	32.26	32.26	11.96	5.98	-19.67	-4.72	25.02	18.17	-14.37	41.72	--

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.**

6 Source: Axis company data as of 30 September 2025.
7 Quality stocks are represented by the MSCI All Country World (ACWI) ACWI Quality Index, which aims to capture the performance of quality growth stocks by identifying stocks with high quality scores based on three main fundamental variables: high return on equity, stable year-over-year earnings growth and low financial leverage. Year-to-date as of 31 December 2025, the MSCI ACWI Quality Index returned 18.10% and the MSCI ACWI returned 22.34%. Source: MSCI. One basis point = 0.01%
8 Year-to-date as of 31 December 2025, the MSCI All Country (AC) Asia ex Japan Quality Index returned 21.15% and the MSCI AC Asia ex Japan Index returned 32.26%. The MSCI AC Asia ex Japan Quality Index is based on MSCI AC Asia ex Japan, its parent index, which measures the equity market performance of Asia excluding Japan. The index aims to capture the performance of quality growth stocks by identifying stocks with high quality scores based on three main fundamental variables: high return on equity, stable year-over-year earnings growth and low financial leverage. Source: MSCI.
9 Based on 2027 consensus estimates. Source: FactSet, Morgan Stanley Investment Management. Data as of 31 December 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 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 31.12.2025 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 from the Prospectus of the Fund.

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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The MSCI All Country World Index (ACWI) is a free float-adjusted market capitalization weighted index designed to measure the equity market performance of developed and 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 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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