A Sub-Fund of Morgan Stanley Investment Funds

Developing 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 three month period ending 31 December 2024, the Fund's Z shares returned -5.76% (net of fees)[1], while the benchmark returned -8.01%.

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 outperformed the MSCI Emerging Markets Index this quarter due to favourable stock selection despite unfavourable sector allocation.

Market Review

Emerging markets equities declined in the quarter, led lower by the materials, consumer discretionary, energy, utilities, consumer staples, health care, industrials and communication services sectors. Information technology was the only sector that advanced, outperforming the benchmark. On a country basis, Brazil, South Korea, Indonesia, the Philippines, South Africa and Poland underperformed, while the U.A.E., Taiwan, Kuwait and Czech Republic advanced, outperforming the benchmark.

Portfolio Review

Stock selection in consumer discretionary, industrials and information technology, and sector underweight positions in materials and energy were the greatest overall contributors to the relative performance of the portfolio during the period. Top individual contributors included travel agency Trip.com, online consumer finance products provider Qifu Technology, Southeast Asian super app Grab Holdings, digital freight platform Full Truck Alliance and Indian travel agency MakeMyTrip.

Conversely, the portfolio's sector overweight position in consumer discretionary, underweight position in information technology, and stock selection in real estate, consumer staples and health care were the greatest overall detractors from relative performance. Top individual detractors included Latin American ecommerce platform MercadoLibre, digital bank Nu Holdings, Korean ecommerce platform Coupang, Chinese leading consumer services super-app Meituan and Chinese baijiu manufacturer Kweichow Moutai.

Shares of top contributor Trip.com outperformed driven by revenue growth acceleration as market share continues to expand and travel demand remains resilient in both domestic and international businesses. Trip.com is the largest online travel agency in China, enjoying strong network effect with the broadest hotel coverage and largest affluent travel customer base, especially within the high-end hotel segment. We believe the company may continue to benefit from the consumption upgrade that is driving increased domestic travel spending and monetize its uniqueness through growth in gross merchandise value in the domestic market, expansion in the overseas market and tapping into high-margin advertising.

Shares of Qifu Technology rallied after posting stronger-than-expected earnings by focusing on higher quality customers and growth, while maintaining a strong capital return policy through 2025. Qifu Technology aims to provide tailored online consumer finance products to prime and underserved borrowers. Its competitive advantage is driven by its proprietary technology platform and partnership with 360 Group which allows strong consumer acquisition, retention and funding advantage. We believe this can support continued growth and scaling of its business. Based on our research, we also believe the company can benefit from a clearer regulatory landscape for the online lending space.

Shares of top detractor MercadoLibre declined after reporting lower-than-expected operating margins on increased investment in its credit card business and fulfilment centres to take advantage of strong growth in key markets including Brazil and Mexico. We believe that the company is making the right strategic decision to invest in the growth of its financial and ecommerce businesses to support long-term value creation. MercadoLibre is the largest ecommerce platform in Latin America, with a presence in 18 countries including Brazil, Argentina and Mexico; 61 million active buyers on its online marketplaces; and 56 million fintech active users of its Mercado Pago digital payments platform.[2] We believe MercadoLibre can increasingly benefit by monetizing the uniqueness of its platform in Latin America, which has a population of more than 665 million and one of the fastest-growing internet penetration rates in the world.[3]

Shares of Nu Holdings declined due to the evolving macroeconomic landscape and currency volatility in Latin America, which impacts results given the currency translation of local operations into dollars. The currency volatility also caused a derating of

1 Source: Morgan Stanley Investment Management Limited. Data as of 31 December 2024.
2 Source: MercadoLibre company data as of 30 September 2024.
3 Source: United Nations Population Division, December 2024.

Brazilian equities. However, underlying operating performance remains strong with Nu prioritizing portfolio resilience by fine-tuning its underwriting models and diversifying its loan book via the scaling of secured loans. We believe this can drive continued widening of competitive moats and enable growth to stay strong.

Nu Holdings operates Nubank, the largest digital bank outside Asia. The bank seeks to address banking inefficiencies in Latin America – it started operations in Brazil and has recently rolled out its services in Mexico and Colombia. We believe Nu is unique in differentiating itself from traditional banks in terms of efficiency and business model, while placing a strong emphasis on customer service. The technology-led, low-cost structure has enabled Nu to offer various banking services to everybody in their markets, helping to increase financial inclusion. The company has been growing its customer base rapidly with a very low cost of new customer acquisition and strong revenue generation per customer, implying strong unit economics.

Strategy and Outlook

As a team, we continue to focus on bottom-up stock selection and the long-term outlook for companies owned in the portfolio. We assess company prospects over a five- to ten-year time horizon and own a portfolio of what we believe are undervalued, high quality companies with diverse business drivers not tied to any particular market environment.

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

Fund Facts

Launch date	20 December 2019
Base currency	U.S. dollars
Benchmark	MSCI Emerging Markets Net Index

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	18.77	18.77	6.84	-29.37	-18.72	59.39	--	--	--	--	--
MSCI Emerging Markets Net Index	7.50	7.50	9.83	-20.09	-2.54	18.31	--	--	--	--	--

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 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 31.12.2024 and subject to change daily.

Applications for shares in the 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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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.

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