A Sub-Fund of Morgan Stanley Investment Funds

Emerging Markets Local Income Fund

EMERGING MARKETS DEBT TEAM

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 2.23% (net of fees)[1], while the benchmark returned 1.49%.

-The Fund outperformed its benchmark, the J.P. Morgan GBI-EM Index, for the month.

-The Fund experienced positive contributions to relative performance from currencies, local rates, and limited off-benchmark exposure to sovereign and corporate credit.

-From a regional perspective, Africa, Eastern Europe, the Middle East and Asia contributed to performance.

-In Asia, off-benchmark exposure to Kazakhstani tenge contributed to performance, as the National Bank of Kazakhstan hiked rates 150 basis points and carried out additional gold sterilization to support the currency. An overweight to Indian local rates detracted from performance.

-In Africa, an off-benchmark allocation to Egyptian local bonds was supportive, given the decision by the Central Bank of Egypt to cut interest rates in both October and December in the wake of moderating inflation and continued reserve accumulation. The bonds continue to benefit from fiscal reforms and investment from regional partners.

-In Eastern Europe, limited off-benchmark exposure to Ukrainian sovereign credit contributed to performance after the European Union (EU) approved an aid package for Ukraine and gross domestic product-linked warrants were restructured in December.

-In Latin America, an overweight to Mexican local rates detracted from performance despite interest rate cuts during the quarter, as growth expectations were lowered.

Market Review

Both the local currency and hard currency segments of the emerging markets debt market delivered strong performance during the fourth quarter. The U.S. dollar (USD) strengthened in October and through most of November as the Federal Reserve (Fed) took a more cautious tone on future interest rate cuts following September's cut. Weakness in the euro and Japanese yen during that period also helped to boost the USD. In December, the USD reversed course due to slower economic growth in the third quarter and a further 25-basis-point rate cut by the Fed. Local rates also broadly rallied, aiding performance of the local segment of the asset class. Spreads tightened for both sovereign and corporate credit, bringing spread levels to multiyear lows. The U.S. and China established an updated trade deal in November. The U.S. lowered its fentanyl-related tariff to 10% and extended the expiration of select exclusions until November 2026. China suspended retaliatory tariffs, removed rare earth export controls and resumed soybean purchases. In December, the EU approved a €90 billion aid package for Ukraine. The funds were financed through external borrowing rather than using frozen Russian assets, which was previously considered. In Argentina, President Milei's La Libertad Avanza (LLA) party redeemed itself in the countrywide midterm elections at the end of October. This came after a poor performance by LLA in September's provincial elections; the resulting political uncertainty led to large outflows and saw the market mechanisms to defend the peso nearly depleting reserve levels. Emerging markets debt finished the year with strong inflows for both hard and local currency funds. The asset class saw a couple of single weeks of outflows in mid-October and the first week of November as investors briefly turned risk-off, but October also saw the largest weekly inflow in over two years. The hard currency segment of the asset class received $6.4 billion, while the local currency segment saw $6.8 billion in inflows for the quarter.[2]

Performance for the underlying emerging markets debt indexes was positive for the month. The local segment of the asset class, represented by the J.P. Morgan Government Bond Index-Emerging Markets Global Diversified, was up 1.49%. The USD-denominated sovereign index, the J.P. Morgan EMBI Global Diversified Index, was up 0.72%. Finally, the emerging markets corporate bond index — the J.P. Morgan CEMBI Broad Diversified Index — was up 0.48%.

Strategy and Outlook

Valuations remain attractive for many areas of the emerging markets debt universe, particularly on the local credit side. Average annual inflation is likely to continue to fall for many emerging markets countries relative to developed markets. As a result, select emerging markets central banks will likely be positioned to continue to cut rates, with further support from U.S. easing and a weaker USD. Geopolitical conflicts remain, as the Russia-Ukraine war continues and both Israel and Hamas have accused each other

[1] Source: Morgan Stanley Investment Management. Data as of 31 December 2025.
[2] Source: J.P. Morgan. Data as of 31 December 2025.

of breaching the ceasefire. Beyond the humanitarian tragedies of these conflicts, there have been global spillovers that continue to trickle through to the world economy. Credit spreads are tight and near multiyear lows, but the universe does still have select pockets of opportunity, particularly off benchmark, in our view. While the landscape is very differentiated, individual country-level fundamentals continue to improve, lowering the sovereign risk premium. We believe that bottom-up country-level evaluation continues to be key to uncover value.

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

Fund Facts

Launch date	01 February 2018
Base currency	U.S. dollars
Benchmark	JPM GBI - EM Global Diversified 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	24.88	24.88	-0.84	14.01	-10.80	-7.61	5.54	23.07	--	--	--
JPM GBI - EM Global Diversified Index	19.26	19.26	-2.38	12.70	-11.69	-8.75	2.69	13.47	--	--	--

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 value of bonds is 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 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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INDEX INFORMATION

J.P. Morgan Government Bond Index Emerging Market (JPM GBI-EM) Global Diversified is an unmanaged index of local-currency bonds with maturities of more than one year issued by emerging markets governments.

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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The **J.P. Morgan EMBI Global Diversified Index** tracks liquid, U.S. dollar emerging market fixed and floating-rate debt instruments issued by sovereign and quasi-sovereign entities.

The **JP Morgan CEMBI Broad Diversified Index** is a global, liquid corporate emerging-markets benchmark that tracks U.S.-denominated corporate bonds issued by emerging-markets entities.

The **JPMorgan Government Bond Index-Emerging Markets** (JPM GBI-EM) is a definitive local emerging markets debt benchmark that tracks local currency government bonds issued by emerging markets. It is the first comprehensive, global local emerging markets index. The GBI-EMGD limits the weights of those index countries with larger debt stocks and redistributes those weights to the countries with smaller weights. The maximum weight to a country is capped at 10%. The excess is redistributed to those countries that have a market capitalization of less than 10%. The portion that is redistributed is based on the market capitalization of each country, which preserves the relative size of each market within the index.

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