

A Sub-Fund of Morgan Stanley Investment Funds

# Parametric Commodity Fund



## Performance Review

In the three month period ending 31 December 2025, the Fund's A shares returned 6.97% (net of fees)<sup>1</sup>, while the benchmark returned 6.81%.

The Fund primarily relies on three actions in pursuing its investment objectives: reweighting versus the performance benchmark, the Bloomberg Commodity Index Total Return (the "performance Index");<sup>2</sup> rebalancing; and commodity curve positioning.<sup>3</sup>

The Fund's reweighting decisions contributed to returns relative to the performance Index during the quarter. The Fund's underweight to crude oil was a leading contributor to performance. An overweight to silver and the inclusion of palladium in the portfolio also contributed to relative results.

The Fund's emphasis on rebalancing back to target weights detracted from performance due to the absence of reversion among commodities in the performance Index during the quarter. Reversion describes the situation where recent relative outperformers become relative underperformers and vice versa. Rebalancing requires selling a portion of the outperforming asset and is beneficial during times of reversion.

Curve positioning also contributed to the Fund's relative performance during the quarter, primarily due to positioning in natural gas.

## Market Review

The commodity market, as measured by the Bloomberg Commodity Index Total Return, rose +5.85% in the fourth quarter of 2025. Strong gains in precious metals and industrial metals lifted the performance Index during the period, and were only partially offset by moderate weakness in the energy sector.

The energy sector weighed on the performance Index's results in the fourth quarter. West Texas Intermediate (WTI) and Brent crude oil slumped after the International Energy Agency warned of a possible four million barrel per day surplus in 2026 due to supply increases by the Organization of the Petroleum Exporting Countries and its allies (OPEC+). Prices fell further following a renewed push for a Russia-Ukraine peace agreement that has thus far not come to fruition. Refined crude products such as unleaded gasoline and diesel also struggled as the extended U.S. government shutdown reduced transportation demand. Finally, despite a short cold snap in early winter, temperatures in the U.S. ended the year consistently above long-term averages, weakening heating demand and dragging down the price of natural gas.

Industrial metals finished a stellar quarter with all metals experiencing solid gains. Copper, often referred to as the global economic bellwether, rallied +16.5% in the fourth quarter to pace the sector. In the physical market, participants have increasingly moved copper to U.S. storage, where the metals currently command a premium in anticipation of a potential import duty. Additionally, expectations that Chinese domestic growth will be an economic priority next year was supportive for copper prices. Precious metals continued to outperform the performance Index in the fourth quarter, rising over +20%. However, unlike in previous quarters, silver (+51.0%) dominated gold (+12.2%). Softer U.S. macroeconomic and inflation data increased expectations for future interest rate cuts and provided a sector tailwind. Silver was acutely impacted by tightness in the physical market, which propelled prices even higher.

Within the agriculture group, grains generally increased in the fourth quarter, while soft commodities fell. Soybeans (+2.8%) and soybean meal (+7.7%) rose early in the period following a tariff truce between the U.S. and China, allowing the largest purchaser of American soy to resume imports. Meanwhile, sugar prices (-8.7%) sunk under the weight of a strong rebound in output from Brazil, India and Thailand, which shifted the market to the largest surplus in seven years. Finally, the livestock sector declined modestly, primarily as a result of a -3.8% loss in lean hogs as carcass weights increased to above average.

<sup>1</sup> Source: Morgan Stanley Investment Management Limited. Data as of 31 December 2025.

<sup>2</sup> MS INV Parametric Commodity Fund's objective is to provide a return equivalent to the performance of the Barclays Commodity Index Series, excluding fees, by investing in swaps that provide a synthetic exposure to the Barclays Commodity Index Series (with an expected tracking error of less than 1.5% in normal market conditions). For performance discussion purposes in this commentary, the Fund's performance is compared to the Bloomberg Commodity Index Total Return, which is a widely recognized, broad-based measure of commodity market performance, representing 22 commodities that are weighted to account for economic significance and market liquidity. The Fund's portfolio management team believes the comparison to the Bloomberg Commodity Index Total Return can provide a more comprehensive view of the Fund's performance, which is driven by active exposures in commodities, in relation to the broader commodity market.

<sup>3</sup> When seeking commodity exposures through futures, an investor has a choice of contracts with a variety of expiration dates. That is, if one is seeking exposure to crude oil, one can purchase a future with delivery next month, the month after that, etc., and each expiration has a distinct price. This is graphically presented as a curve (similar to the yield curve in fixed income). An index generally chooses the futures contract closest to expiration. To attempt to gain outperformance by selecting futures with expiration dates that differ from the index, i.e., to gain exposure through a different position on the curve, is referred to as curve positioning.

## Strategy and Outlook

Commentators demonstrate a wide range of opinions regarding the commodity asset class. Regardless of the near-term forecast, the secular trend of increasing demand for raw materials from emerging economies is believed by many to be a permanent feature in the global economy. While commodities may continue to demonstrate remarkable volatility, they may do so against a background of increasing prices.

How does one invest in this space with so much short-term uncertainty? We seek to manage risk through broad diversification,<sup>4</sup> avoiding concentrations and by rebalancing — all key factors to consider when making investment decisions. Parametric's commodity investment strategy relies on a rules-based approach in combination with a rebalancing discipline to avoid concentration, and aims to seek total return.

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

## Fund Facts

Launch date	27 February 2024
Base currency	U.S. dollars
Benchmark	Barclays Commodity Index Series

## 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 A Shares	19.98	19.98	--	--	--	--	--	--	--	--	--
Barclays Commodity Index Series	17.68	17.68	--	--	--	--	--	--	--	--	--

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 units. The sources for all performance and Index data is Morgan Stanley Investment Management. **Please visit our website [www.morganstanley.com/im](http://www.morganstanley.com/im) to see the latest performance returns for the fund's other share classes.**

## Share Class A Risk and Reward Profile

- The value of financial derivative instruments are highly sensitive and may result in losses in excess of the amount invested by the Sub-Fund.
- 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.
- The prices of commodities can experience greater volatility than other asset classes (such as equities and fixed income) in certain market conditions. Investments in commodities can therefore be riskier than other types of investment.
- 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](http://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](http://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. Luxembourg 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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<sup>4</sup> Diversification neither assures a profit nor guarantees against loss in a declining market.

not investment advice, nor should it be construed in any way as tax, accounting, legal or regulatory advice. To that end, investors should seek independent legal and financial advice, including advice as to tax consequences, before making any investment decision.

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.

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Charts and graphs provided herein are for illustrative purposes only and subject to change.

## INDEX INFORMATION

The **Barclays Commodity Index Series** is a rules-based, formulaic index that aims to provide exposure to a diversified set of commodities. The index comprises a basket of futures contracts (each a "Futures Contract") for 32 commodities (each a "Commodity").

The index is unmanaged and do not include any expenses, fees, or sales charges. It is not possible to invest directly in an index.

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