

A Sub-Fund of Morgan Stanley Investment Funds

Systematic Liquid Alpha Fund

AIP HEDGE FUND TEAM

Performance Review

In the one month period ending 31 December 2025, the Fund's Z shares returned 2.07% (net of fees)¹.

The Fund's carry and variable strategies generated gains, while defensive strategies detracted from performance during the month.

Carry Strategies

The Fund's carry strategies contributed to performance in the aggregate. The commodity curve carry strategy was the primary contributor to performance within the category, generating strong gains. The strategy benefited from gains in natural gas and soybean more than offsetting losses in Brent crude and live cattle. The rates carry strategy was the primary detractor from performance. The strategy detracted due to long positioning in Japanese government bonds and French OATS.

Defensive Strategies

The Fund's defensive strategies were the primary detractor from Fund performance in December as equity markets underwent a rotation toward value stocks while quality, momentum and low volatility stocks lagged. The equity micro quality factor was the primary detractor from performance within the category. The strategy experienced losses in communication services, financials and materials. The commodity intraday trend factor was the primary contributor to performance within the category. The strategy serves to hedge against sharp commodity moves, benefiting from outsized moves in natural gas early in the month and silver towards the end of the month.

Variable Strategies

The Fund's variable strategies contributed to performance, with all factors generating gains. The equity micro value factor was the largest contributor to performance. The strategy benefited from gains in the financials, industrials and information technology sectors more than offsetting losses in the consumer discretionary and real estate sectors. The commodity value factor was the second-largest contributor within the category with gains from long positioning in silver and short positioning in cocoa more than offsetting losses from short positioning in gold and long positioning in lean hogs.

Market Review

Equity markets were relatively flat overall with a rotation toward value stocks while the quality factor lagged. The S&P 500 Index posted a modest 0.06% while the MSCI World Index gained 0.81%, reflecting strong performance outside the U.S. Monetary policy developments were a key driver of market sentiment. The Federal Reserve cut benchmark interest rates by 25 basis points, citing signs of a softening labor market while signaling limited scope for future rate cuts. Further, the Bank of Japan increased benchmark interest rates by 25 basis points. Together, these contributed to a steepening of global yield curves, weighing on rates carry strategies. Commodities markets were volatile, driven by idiosyncratic moves in silver and natural gas, specifically.

Strategy and Outlook

Market and economic uncertainty have risen in recent months, resulting in a pronounced uptick in volatility in traditional assets. We believe that systematic sources of alpha can deliver uncorrelated returns and much needed diversification in this environment.²

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

Fund Facts

Launch date	20 February 2024
Base currency	U.S. dollars

¹ Source: Morgan Stanley Investment Management. Data as of 31 December 2025.

² Diversification neither assures a profit nor guarantees against loss in a declining market.

Share Class Z Risk and Reward Profile

- There are increased risks of investing in emerging markets as political, legal and operational systems may be less developed than in developed markets.
- 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 value of bonds are likely to decrease if interest rates rise and vice versa.
- 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.

- 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. 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 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

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INDEX INFORMATION

The **Standard & Poor's 500® Index (S&P 500®)** measures the performance of the large cap segment of the U.S. equities market, covering approximately 80% of the U.S. equities market. The Index includes 500 leading companies in leading industries of the U.S. economy.

The **MSCI World Index** is a free float adjusted market capitalization weighted index that is designed to measure the global equity market performance of developed 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.

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Securities Market Law) under the special public offering directed exclusively to the institutional investors under the **Reglamento 1 and Reglamento 2**, then the interests in the Fund will be registered in the Section "**Del Mercado de Inversionistas Institucionales**" of the Securities Market Public Registry (**Registro Público del Mercado de Valores**) maintained by the **Superintendencia del Mercado de Valores (SMV)**, and the offering of the Fund interests in Peru only to institutional investors will be subject to the supervision of the SMV, as well as any transfers of the Fund interests shall be subject to the limitations contained in the Securities Market Law and the regulations issued thereunder mentioned before, under which the Fund interests may only be transferred between institutional investors under Article 27 of the **Reglamento 1 and Reglamento 2**. If neither the Fund nor the interests in the Fund have been and will not be registered in Peru under **Decreto Legislativo 862** and under **Decreto Legislativo 861 referenced above**, nor they will be subject to a public offering directed to institutional investors under the **Reglamento 1**, and will be offered to institutional investors only (as defined in article 8 of the Securities Market Law) pursuant to a private placement, according to article 5 of the Securities Market Law, the interests in the Fund will not be registered in the Securities Market Public Registry maintained by the **SMV**, and the offering of the Fund interests in Peru to institutional investors nor the Fund will be subject to the supervision of the SMV, and any transfers of the Fund interests shall be subject to the limitations contained in the Securities Market Law and the regulations issued thereunder mentioned before, under which the Fund interests may only be transferred between institutional investors.