A Sub-Fund of Morgan Stanley Investment Funds

China A-shares Fund

EMERGING MARKETS EQUITY TEAM

Performance Review

In the one month period ending 31 January 2026, the Fund's Z shares returned 4.88% (net of fees)[1], while the benchmark returned 4.44%.

In January, the Fund's relative outperformance was primarily driven by positive stock selection. At the sector level, our overweight allocation and strong stock selection in the information technology sector contributed to returns. An overweight allocation to the financials sector detracted, but our stock selection in the sector offset the detraction. An underweight allocation to consumer staples contributed. Our stock selection in and underweight allocation to the materials sector detracted, along with our stock selection in the energy, industrials, utilities and consumer discretionary sectors. The materials sector was the best performing sector driven by rising precious metals prices amid geopolitical uncertainty, as well as growing demand for copper and aluminium related to artificial intelligence (AI) and energy storage.

At the stock level, our overweight selection to Montage Technology, Hua Hong Semiconductor, Advanced Micro-Fabrication Equipment and JCET Group were the largest contributors to returns as the stocks rallied alongside other semiconductor names. Montage rose on expectations of accelerated AI server-related demand while Hua Hong benefited from strong sentiment toward high-tech manufacturing amid rising demand for integrated circuits. JCET Group outperformed amid robust momentum in outsourced semiconductor assembly and testing. Overweight selection to Zijin Mining also contributed as the stock advanced on higher metals prices and ongoing strength within the materials sector.

The largest detractor was our overweight selection to Zhejiang Sanhua Intelligent Controls, which declined during the month despite previous strength. Our zero-weight selection to GigaDevice Semiconductor hurt relative performance as the stock rallied sharply after it raised $600 million for its Hong Kong listing. Overweight selection to Fuyao Glass Industry weighed on performance amid concerns of a slowdown for the China auto parts sector. Our overweight selection to Huatai Securities and China Merchants Bank detracted along with the broader sector weakness given the sector rotation away from high yield and value names.

Market Review

China A shares posted broad gains in January, supported by stronger performance in cyclical and AI-linked sectors while financials and consumer names lagged. The MSCI China A Onshore Index returned +4.44% in U.S. dollar (USD) terms during the month, underperforming the MSCI All Country Asia ex-Japan Index, which returned +8.20% over the same period.

December high-frequency indicators showed that domestic activity continued to moderate. Retail sales growth further slowed to 0.9% year-on-year, weighed by base effects and fading impact of 2025 trade-in subsidies. Fixed asset investment contracted sharply by 16.0% year-on-year, the steepest decline excluding the January to February 2020 COVID period, with weakness that was broad-based across manufacturing, infrastructure and real estate. Industrial production rose +5.2% year-on-year, driven by high-tech manufacturing including integrated circuits, storage chips and servers, reflecting strong momentum from AI-related demand.[2]

Consumer price index (CPI) inflation rose 0.8% year-on-year in December driven by higher food and gold prices while producer price index (PPI) deflation narrowed to -1.9%.[3] Fourth quarter real gross domestic product (GDP) rose to 4.5% year-on-year while the full-year 2025 GDP growth reached 5% year-on-year, which was in line with the government's 2025 target.[2]

The official National Bureau of Statistics (NBS) Manufacturing PMI edged down to 49.3 in January from 50.1 in December while the NBS Non-manufacturing PMI was 49.4 in January, falling from 50.2 in December, as weak domestic demand dragged down production at the start of the new year. The private-sector RatingDog Manufacturing PMI increased slightly to 50.3 in January from 50.1 in December, indicating a more positive outlook for exports.[4]

The People's Bank of China unveiled a package of credit easing measures at a monetary policy press conference. The major measures included: 1) a 25 basis point cut in rates on various structural monetary policy tools (e.g., one-year relending rates were lowered to 1.25% from 1.5% and the pledged supplementary lending rate is down to 1.75% from 2.0%); and 2) a broad expansion in both the size and coverage of relending programs, with a total increase in quotas of around 2.1 trillion renminbi, including a new 1 trillion renminbi program for private enterprises, an additional 600 billion renminbi quota to support technology innovation and related corporate bond issuance, and an extra 500 billion renminbi quota for agricultural sectors and small and medium-sized enterprises.

[1] Source: Morgan Stanley Investment Management. Data as of 31 January 2026.
[2] Source for industrial production, retail sales, fixed asset investment and GDP data: National Bureau of Statistics of China, 19 January 2026.
[3] Source for all inflation data: National Bureau of Statistics of China, 9 January 2026.
[4] Source for all PMI data: National Bureau of Statistics of China, 31 January 2026, and S&P Global, 2 February 2026.

Portfolio Activity

During the month, we initiated a position in Anhui Yingliu given its strong competitive positioning within the turbine blade manufacturing segment. The turbine blade industry is characterized by high technological and certification entry barriers, a concentrated competitive landscape, and long-term customer relationships that create high switching costs. Yingliu has established itself as a qualified supplier to major global turbine engine manufacturers, including Siemens, GE Vernova, Baker Hughes and Ansaldo, although its current wallet share within these supply chains remains low. We believe the company's exposure to a diversified set of global original equipment manufacturers positions it to benefit from ongoing replacement demand in the turbine engine market, particularly as existing blade makers PCC and Howmet have limited capacity relative to the planned growth in gas turbine engine production. This industry backdrop enhances the strategic value of Yingliu's capabilities and supports its role within the broader turbine engine ecosystem, in our view.

We also added to our existing positions in Sieyuan Electric, Dongfang Electric, Sungrow Power, Victory Giant and Eoptolink, reflecting our constructive view on the power equipment and AI-related supply chain segments. Sieyuan Electric and Dongfang Electric both continued to benefit from North American power infrastructure investment projects alongside China's recently announced power grid investment plan for the 15th Five-Year Period. We added to Sungrow Power given its solid fundamentals in power-conversion technologies and to Victory Giant as high-end printed circuit board demand conditions within the electronics supply chain remain supportive. We added to Eoptolink given strong optical transceiver demand and the company's ongoing product roadmap within the data center-oriented AI hardware ecosystem. We funded these trades by trimming our position in Guangdong Provincial Expressway.

Strategy and Outlook

While China's earlier economic stimulus package lent support to the economy, the escalation in trade tensions and tariff changes by the U.S. administration introduced significant uncertainties to the global economic outlook and brought downside risks to China's exports and broader economic growth. Corporate investment could be scaled back in light of much greater macro uncertainty on a global basis. Additionally, domestic deflationary pressure could intensify further if external demand slows significantly and more Chinese production needs to look for outlets internally. These, in turn, would lead to downward pressure on corporate earnings. Meanwhile, the Chinese government could introduce additional stimulus measures to offset the tariff impact. At the Fourth Plenum, technology, security and people's livelihoods were designated as top priorities for the 2026-2030 development strategy, highlighting the focus on "high-quality growth" and "high-level security". The 15th Five-Year Plan recommendations target innovation and industrial breakthroughs, along with boosting domestic demand structurally. The December Central Economic Work Conference echoed this direction, calling for faster industry development and improved consumption through social safety net reforms and middle-income support. We will continue to monitor the geopolitical situation and China's policy implementation in the coming months.

We think the A share market will likely remain in a barbell structure as market/insurance fund flows could still hold on to some traditional high-dividend-yield stocks but will likely also continue to favor sectors with growth tailwinds. We believe the Fund can potentially outperform the market under the current environment as we position in what we consider high quality companies with a stable fundamental outlook and undemanding valuation.

Our China A portfolio has always been focused on long-term fundamentals, and we continue to seek structural growth opportunities in China. Despite the near-term macro challenges, over the long term, we remain constructive that Chinese innovation and technology will catch up quickly. We believe the "DeepSeek Moment" marked a turning point in China's broader resurgence in innovation, investment and global competitiveness, at a time of renewed nationalism in the country. We remain invested in attractive growth themes (electric vehicles, edge AI and high-end manufacturing, among others) and within those themes focusing on those companies with competitive advantages, strong corporate governance and solid growth prospects. We believe China remains an attractive market that offers a wide breadth of listed companies that can deliver attractive returns over the longer term.

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

Fund Facts

Launch date	29 December 2017
Base currency	U.S. dollars
Benchmark	MSCI China A Onshore 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	4.88	27.83	10.36	-11.91	-23.34	-2.19	13.82	19.42	-16.60	--	--
MSCI China A Onshore Index	4.44	29.93	11.59	-11.65	-27.23	4.03	40.04	37.48	-32.99	--	--

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 31.01.2026 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 **MSCI All Country Asia Ex-Japan** Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of Asia, excluding Japan. The performance of the Index is listed in U.S. dollars and assumes reinvestment of net dividends.

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