

A Sub-Fund of Morgan Stanley Investment Funds

# NextGen Emerging Markets Fund

**EMERGING MARKETS EQUITY TEAM**

## Important information

- The Fund invests primarily in equity securities of issuers in emerging market countries, including frontier market countries, and upcoming developing markets.
- Investment involves risks. Key risks for this fund include Risk of Investment in Equity, Emerging Market Risk, Exchange Rate Risk and Risk of Exposure to the Euro and Eurozone.
- There is a risk that you may potentially lose your entire investment in this Fund.
- The investment decision is yours but you should not invest unless the intermediary who sells it to you has advised you that it is suitable for you and has explained why, including how buying it would be consistent with your investment objectives. You should not make any investment decision solely based on this document. Please read the relevant offering document carefully for further fund details including risk factors.

## Performance Review

In the one month period ending 30 November 2025, the Fund's A shares returned -0.80% (net of fees)<sup>1</sup>, while the benchmark returned 0.82%.

The chief source of detractor was stock selection in Vietnam, impacted by the zero allocations to select index heavyweights such as Vingroup and Vinhomes. While our allocation to Vinamilk and the zero allocations to VIX Securities and FPT Corp. contributed to returns, relative returns were also negatively impacted by our allocations to Techcombank, Phu Nhuan Jewelry and Mobile World Investment, which lagged the broader market rally. We recently increased the allocation to Vietnam given incrementally positive macro developments, including streamlining the public sector bureaucracy and easing foreign trading requirements.

The overweight to and stock selection in Kazakhstan detracted as Kazatomprom and Halyk Bank declined during the month, the latter impacted by rising inflation and foreign exchange (FX) volatility.

The allocation to MercadoLibre detracted from returns, largely due to a third quarter earnings miss, which was attributed to the company's expansive growth strategy in Brazil combined with broader macro issues in Argentina, a key market for the company. Intensifying competition across Latin American e-commerce and fintech also weighed on the stock's performance. Positioning in Argentina detracted through our allocation to Grupo Financiero Galicia, which was negatively impacted by liquidity and regulatory pressures in Argentina.

Stock selection in Pakistan detracted, led by our overweight allocation to Meezan Bank and the zero allocation to Fauji Fertilizer. Elsewhere, the allocation to Alfamart in Indonesia and the underweight allocation to Colombia hampered returns.

Top stock contributors to returns during the month included Lion Finance and Perseus Mining. Lion Finance benefited from strong credit demand in its core markets, while Perseus Mining rallied on the back of firm gold prices and positive production updates from its West African operations.

Stock selection in the Philippines added to returns. Century Pacific Food and Bank of the Philippine Islands outperformed, supported by resilient domestic demand and improving sentiment. Financials in the country also saw renewed interest amid expectations of interest rate stability and improving loan growth. Elsewhere in the Philippines, the zero allocation to Jollibee Foods contributed.

The portfolio's positioning in Peru added to returns through the overweight allocations to Southern Copper, Buenaventura and Credicorp. Other contributors to performance included the underweight allocation to Morocco, as the equity market was negatively impacted by concerns around fiscal tightening, and the allocation to Nova Ljubljanska Banka (NLB) in Slovenia. NLB reported strong quarterly results, supported by higher net interest income and stable credit costs, which helped drive positive performance.

## Portfolio Activity

We added to the position in Credicorp, Peru's largest bank. With its strong operating efficiency, we think the bank can benefit from a recovery in loan growth and rapid adoption of its digital wallet platform. In addition, we believe there is further upside given the improving macro environment in Peru, where the political situation has eased incrementally.

We initiated a position in OMV Petrom in Romania. Historically Romania has held a big twin deficit (fiscal and current account), but the new government is moving to address this issue, which we view as marginally positive. Additionally, Romania continues to see support from European Union funds, which should further help with growth.

We increased the allocation to Morocco, adding Société d'Exploitation des Ports (SEPM) to the portfolio. We believe the company is positioned to benefit from Morocco's emergence as a manufacturing and trade hub, with stable macro fundamentals and consistent growth in port throughput. We also initiated positions in Akdital Holding and Travaux Généraux de Construction de Casablanca

<sup>1</sup> Source: Morgan Stanley Investment Management. Data as of 30 November 2025.

(TGCC), the latter to gain exposure to the country's robust infrastructure development. We believe the company stands to benefit from the country's pipeline of public works and private investment in manufacturing facilities. Akdital is expanding its network of hospitals and clinics, and we think the company is well positioned to benefit from rising demand for health care services.

To fund these trades, we reduced our allocations to high conviction names in the portfolio, taking gains on year-to-date outperformance, including Fawry, COMI and Kazatomprom.

## Strategy and Outlook

With heightened volatility in the U.S. and globally, we continue to believe that many frontier and small emerging markets (EM) can remain resilient and provide exposure to areas that we believe are set for accelerating gross domestic product (GDP) growth, driven by recently adopted reforms and robust domestic demand. We believe that our integrated top-down and bottom-up analysis remains critical to identify the most attractive macro and stock investments across frontier and small EMs.

We remain overweight Kazakhstan, where we continue to see drivers for strong growth. Kazakhstan has successfully attracted investment from many countries due to its strategically important geography and commodity industries. These investment flows have come from countries that are rivals to each other, as Kazakhstan has managed to balance relations with China, Russia and Western countries. Structurally, Kazakhstan is benefiting from strong population growth, increased oil production, de-dollarization (supporting gold prices) and increased logistics/trade in the region. Considering the country's sensitivity to commodity prices, we are closely monitoring fluctuations in these markets due to the implications on the FX rate and overall macroeconomic conditions. We are also tracking the country's accelerating inflation, which appears supported by strong domestic demand, increased food prices, FX weakness and a fiscal deficit. However, we believe growth can be resilient despite risks to more hawkish monetary policy given the economy's structural drivers and robust domestic demand.

The market remains largely overlooked despite the country's mid-high single-digit GDP growth, relatively stable government, favorable geography and well-endowed natural resources. Our exposure in Kazakhstan includes what we consider to be well-managed financials as well as the world's largest and lowest-cost uranium producer. The appreciation in uranium prices this year has been driven by more favorable government policies toward nuclear energy around the world and tighter power markets underpinned by rising artificial intelligence (AI) data center demand. Longer term, we expect nuclear energy to take on a larger role in the energy transition as it is a dependable, carbon-conscious source of baseload power.

We are overweight Bangladesh, where we see potential in the country's reform story and rapid underlying growth. The country has seen promising policy changes to the FX rate and has committed to judicial, law enforcement, anti-corruption and banking reforms. Real GDP growth is expected to stay strong, with the International Monetary Fund (IMF) expecting medium-term growth of 5.5%-7.5% per year. Progress is being made on the monetary policy side, where the central bank has recently achieved a restrictive real interest rate after several rate hikes and inflation has started to decelerate. We believe that Bangladesh may eventually benefit from financial conditions easing as inflation cools. Although we remain optimistic, Bangladesh has previously seen political and social turmoil, so we are monitoring potential execution risks to reform and commitment to the ongoing IMF program, as there is still progress to be made on the FX liberalization front. However, we see risks skewed to the upside given the market's already negative sentiment and low foreign interest in the country. We believe the country offers strong expected growth, macro cyclical upside potential and possible reform, and within the market, we are invested in a bank that can offer sensitivity to the reform story as well as a leading health care company.

We are constructive on Egypt. As conflicts in the Middle East appear closer to resolution, we believe the Egyptian economy is well positioned for improved external balances, growth and financial conditions. Following major devaluations and volatility in the FX market, Egypt's central bank vigilantly brought interest rates to restrictive levels to cool inflation. Currently the real policy rate in Egypt stands at roughly 10% and, combined with improved buffers and a stabilized FX spot rate, Egypt has attracted a high volume of carry-related flows. These policies have yielded results; after peaking at 38% year-over-year, Egypt's consumer price index (CPI) rate has declined significantly to the low-teens. We expect policy rates to loosen further, stimulating the economy and loan growth. On the external side, balance of payment data appears to be improving with increased remittances, tourism and non-oil exports. We are closely monitoring key risks, which include geopolitics, commodity prices and major pivots in domestic policy. Notwithstanding recent outperformance, we think that the market will likely continue to price equities higher as yields decline on central bank policy, and as such we are positioned in key financials in the country.

While the Philippines appears strong across many macro indicators (e.g., consensus expects 5% to 6% real GDP growth until 2027, with CPI under 3%),<sup>2</sup> the country is facing several thematic and political issues. For example, the Philippines, alongside India, appears to be one of the most vulnerable countries to AI given its large call center industry, with an estimated 1.8 million people working in the business process outsourcing industry (comprising approximately 8% of the country's GDP).<sup>3</sup> Politics continues to be tense between President Ferdinand Marcos and Vice President Sara Duterte following Vice President Duterte's impeachment in February and her father's (a former president) arrest. Since then, approval for the current president appears more tenuous than in 2024. Recently, International Criminal Court judges rejected the former president's appeal for release and officials in key positions have resigned (e.g., House speaker Romualdez). Despite this volatility, we are vigilantly monitoring upside risks given the country's otherwise sound macroeconomic outlook. Within the Philippines, we currently are invested in leading financials, staples and transportation companies.

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

## Fund Facts

Launch date	16 October 2000
Base currency	Euro
Benchmark	Blended- Blended Benchmark MSCI Frontier 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 A Shares	3.44	18.05	4.57	-33.45	33.60	-6.08	23.58	-15.33	15.03	10.71	5.73
Blended Benchmark	21.78	13.36	8.05	-23.06	26.97	-14.60	17.64	-11.81	9.40	23.53	-10.93
MSCI Frontier Emerging Markets Net Index	21.78	13.36	8.05	-12.81	12.21	-10.70	16.19	-10.29	11.37	8.14	-8.99

**Investment involves risks. All performance data is calculated NAV to NAV, net of fees, and assume the reinvestment of all dividends and income. The sources for all performance and index data is Morgan Stanley Investment Management ('MSIM Ltd'). Please refer to the relevant offering documents for fund details, including risk factors.**

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 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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<sup>2</sup> Source: Bloomberg consensus estimates, as of 30 September 2025.

<sup>3</sup> Source: IT & Business Process Association of the Philippines, as of 16 January 2025.

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## INDEX INFORMATION

The **Blended Index** performance shown is calculated using the **MSCI EM Europe, Middle East Gross Index** from inception through 31 December 2000, the **MSCI EM Europe Middle East Net Index** through 16 April 2008, the **MSCI Emerging Europe, Middle East and Africa Net Index** through 15 May 2022 and the **MSCI Frontier Emerging Markets Net Index** thereafter.

The **MSCI EM Europe, Middle East Index** captures large and mid-cap representation across 8 Emerging Markets (EM) countries in Europe and Middle East.

The **MSCI Emerging Markets Europe, Middle East and Africa Net Index** is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of the emerging market countries of Europe, the Middle East & Africa.

The **MSCI Frontier Emerging Markets Net Index** is a free float adjusted market capitalization index designed to serve as a benchmark covering all countries from the MSCI Frontier Markets Index and the lower size spectrum of the MSCI Emerging Markets Index.

The indexes are unmanaged and do not include any expenses,

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A blended benchmark has been used because there has been a change in benchmark during the reporting period shown.

The **MSCI Emerging Markets Index (MSCI EM)** is a free float-adjusted market capitalization weighted index that is designed to measure equity market performance of emerging markets.

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