A Sub-Fund of Morgan Stanley Investment Funds

American Resilience Fund

INTERNATIONAL EQUITY TEAM

Performance Review

In the one month period ending 30 November 2025, the Fund's Z shares returned 0.70% (net of fees)[1], while the benchmark returned 0.25%.

The portfolio has returned -2.37% for the year-to-date, while the S&P 500 Index has delivered +17.81%.

In an environment of high valuations and uncertainty, our strategy focuses on companies capable of sustained earnings per share (EPS) growth. We believe our portfolio is set to deliver resilient topline growth well above that of the index and is available at a significant free cash flow discount to the market, to an extent not seen for over a decade.

Alphabet (+83 basis points [bps]) was the largest **absolute contributor**, outperforming amidst broader tech sector volatility. The company reported record earnings and a cloud-driven EPS uplift, which was further complemented by positive updates relating to its vertical integration strategy. Another top contributor in the month was **Intercontinental Exchange** (+29 bps), which benefited from rising artificial intelligence (AI)-driven demand for proprietary data and positive investor sentiment towards recent acquisitions. Within consumer staples, **Coca-Cola** (+30 bps) rallied as third quarter organic growth beat consensus expectations and management reaffirmed full-year guidance, while investors positively received **AutoZone**'s (+23 bps) strong acceleration in its commercial segment, continued momentum in store expansion and dominant competitive positioning, especially in Mexico, supporting gains from its resilient, high-margin business model. In health care, **Steris** (+31 bps) benefited from positive earnings momentum, supported by robust demand as well as operational efficiencies and a favourable product mix, in addition to reaffirming guidance.

Turning to the largest **absolute detractors**, **Zoetis** (-49 bps) saw muted performance following third quarter results which indicated slowing organic growth in part due to increasing competition, plus a decline in vet clinic visits in the U.S. Our conviction in the structural growth of this category and the long-term outlook for the animal health space, as well as the strength of Zoetis's product offering, remains. **Microsoft** (-47 bps) was caught in a broad sell-off across high-multiple technology names as investors took profits, and **Uber** (-25 bps) underperformed despite strong bookings growth and free cash flow momentum as investors grew cautious on moderating margin expansion. Although **Ferrari**'s (-16 bps) long-term fundamentals, brand and order backlog remain strong, the stock performance was slightly muted due to management's conservative 2030 targets and ongoing macro uncertainty in luxury demand, while **Constellation Software** (-15 bps) continued to suffer from negative investor sentiment driven by AI disruption fears.

In terms of **relative performance,** the portfolio saw a positive sector allocation effect from being overweight health care and consumer staples, as these sectors led the market, as well as positive allocation effect from being underweight information technology, as we saw a broad-based sell-off within the sector during the month. While we saw a positive contribution within communication services from owning Alphabet, health care and industrials both had negative stock selection. Health care was affected by the lack of exposure to large-cap pharmaceuticals (up 13% in the month), while within industrials data-rich professional services names such as RELX and Experian continued to be affected by AI disruption fears, alongside much of software — fears that we believe are unfounded.

Market Review

The U.S. market was softer in November, with the S&P 500 Index returning +0.25% as markets digested a combination of cooling inflation, softening macro data and a rotation away from the year's most crowded, AI-exposed names. Sector performance showed an emerging divergence between cyclicals and defensives: information technology (-4%) momentum stalled after a strong year, with profit-taking in several mega-cap, perceived AI beneficiaries and notable sell-offs in software and services (-7%) and semiconductors (-6%). Consumer discretionary (-2%) was another laggard, reflecting weaker U.S. retail sales and fading confidence indicators. By contrast, health care (+9%), consumer staples (+4%) and utilities (+2%) outperformed as the market rotated into traditionally defensive sectors.

Portfolio Activity

Portfolio activity is reported at quarter-end.

[1] Source: Morgan Stanley Investment Management Limited. Data as of 30 November 2025.

Strategy and Outlook

Recent months have highlighted a dynamic tension within global equity markets. It is not clear if this narrative-driven market cycle will unwind gradually through rotation or through an abrupt collapse. On one side, optimism persists that AI will likely drive a visible transformation in corporate profitability and potentially accelerate the U.S. economy. On the other, there is growing scepticism that these high expectations will be fully realised in the near term. November provided early indications of this shift, as investors rotated out of some of the best-performing cyclical sectors and into more traditionally defensive areas. Despite this, the MSCI World Index continues to trade at over 20x forward earnings, with the S&P 500 Index at 22x—valuations that rest on the assumption of robust, double-digit earnings growth and further margin expansion from already elevated levels.[2] Whether the November moves signal a questioning of the AI-driven growth narrative, a reassessment of the macroeconomic backdrop, or simply profit-taking after a period of strong performance remains to be seen.

Amid these crosscurrents, the underperformance of quality equities relative to the broader market has reached levels last seen during the dot-com era. Historically, such periods have often been followed by a meaningful resurgence in quality stocks, both in absolute terms and relative to the broader market. In this environment of elevated valuations and uncertainty, our strategy remains focused on companies with the capacity for sustained earnings per share growth. We believe our portfolio is positioned to deliver resilient topline growth well ahead of that offered by the market, alongside the quality metrics such as return on operating capital employed (ROOCE), which sits at 68% for the portfolio vs. 24% for the index, or the gross margin of 56% for the portfolio vs. 33% for the index.[2] Not only does the portfolio look compelling from a quality perspective, it is also trading at a significant free cash flow discount to the market, at a level not seen in the past decade. This combination presents a compelling opportunity, particularly on a relative basis.

Today's market differs from previous episodes in several respects. Leverage is concentrated in private markets and corporate balance sheets rather than in banks or households, while much of the advanced AI capital expenditure cycle has to date been funded by internally generated cash flows, although debt financing is now increasing. As the market gradually recalibrates its expectations—whether due to slower mega-cap earnings growth, regulatory developments or capital constraints—valuation compression in market leaders may be offset by expanding multiples elsewhere. This environment has historically favoured quality stocks, which have tended to outperform as market leadership broadens from the current, highly concentrated levels and fundamentals reassert themselves.

In summary, while the last decade was characterised by ultra-low interest rates, passive investment flows and growth-driven narratives, we believe the coming period will likely reward disciplined capital allocation and a renewed focus on quality. As the current cycle matures, we believe portfolios built around companies with resilient earnings, strong brands and pricing power are well positioned to benefit from a return to fundamentals. The adjustment may be gradual, but history suggests that such environments offer attractive opportunities for active management and for investors committed to quality.

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

Fund Facts

Launch date	15 December 2022
Base currency	U.S. dollars
Benchmark	S&P 500 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 Z Shares	-2.37	10.59	19.11	--	--	--	--	--	--	--	--
S&P 500 Index	17.81	25.02	26.29	--	--	--	--	--	--	--	--

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 to see the latest performance returns for the fund's other share classes.**

2 Source: MSIM, FactSet, as of 30 November 2025.

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.
- 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 30.11.2025 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 in English online at: Sustainable Finance Disclosure Regulation.

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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 index are 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 **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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