

A Sub-Fund of Morgan Stanley Investment Funds

Calvert Diversity, Equity and Inclusion Fund



Performance Review

In the three month period ending 31 December 2025, the Fund's Z shares returned 2.73% (net of fees)¹, while the benchmark returned 3.12%.

The Fund is designed to offer long-term shareholder return by investing in companies that are leaders or improvers in diversity, equity and inclusion (DEI) practices. The portfolio uses a proprietary analysis built on qualitative and quantitative methods to identify leaders and improvers and ensure higher levels of board gender and ethnic diversity than the benchmark, the MSCI World Index.

At the sector level, the largest detractor from the Fund's relative performance during the fourth quarter was stock selection and an underweight position in the communication services sector. Not holding Alphabet Inc.² significantly hurt performance, as did overweight positions in Netflix Inc. and Pinterest Inc. Additionally, an out-of-benchmark position in Rightmove Plc detracted from returns.

Stock selection in and an overweight allocation to the information technology sector dragged on relative performance. Overweight positions in Microsoft Corp. and ServiceNow Inc. weakened results, while not holding Micron Technology Inc.² and Advanced Micro Devices Inc.² also detracted. Moreover, an out-of-benchmark exposure to the underperforming Commvault Systems Inc. weighed on the Fund.

The top contributor to performance during the quarter was strong stock selection in health care, supported by an overweight allocation to the sector. Overweights in Eli Lilly & Co., Intuitive Surgical Inc. and Roche Holding AG were particularly beneficial.

In the financials sector, both stock selection and an overweight allocation contributed positively to relative performance. An overweight in Banco Bilbao Vizcaya Argentaria SA was especially supportive of results.

Other notable contributors included the Fund's lack of exposure to certain underperforming names, including Meta Platforms Inc.³ in communication services, Oracle Corp.² in information technology, and Home Depot Inc.² in the consumer discretionary sector. Within IT, overweight positions in Twilio Inc., Apple Inc. and Lam Research Corp. added to performance.

At the country level, stock selection in Japan and the United Kingdom detracted from the Fund's performance. Overweight positions in SoftBank Group Corp. and Sony Group Corp. in Japan were particularly detrimental. In the U.K., an out-of-benchmark position in Rightmove Plc and an overweight in Auto Trader Group Plc negatively impacted returns. On the flipside, stock selection in Switzerland and an overweight allocation to the country supported performance, alongside an underweight in Australia. In Switzerland, overweights in Roche Holding Ltd. and Compagnie Financiere Richemont SA contributed positively. In Australia, lack of exposure to Commonwealth Bank of Australia² and CSL Ltd.² were additive.

Market Review

An impressive rally in 2025 continued during the fourth quarter, capping off an incredible year for global equities. As they did for the full year, non-U.S. developed and emerging market equities outperformed the S&P 500 Index (+2.7%) in the fourth quarter. The MSCI EAFE Index rose 4.9% for the quarter, while the MSCI Emerging Markets Index climbed 4.7%, taking the year-to-date returns to a staggering 31.2% and 33.6%, respectively. The strong close to the year saw 40 of 47 countries in the MSCI All Country World Index, which spans developed and emerging market countries, post positive returns for the fourth quarter.

The quarter opened constructively, with October benefiting from optimism around further policy easing and resilient corporate fundamentals. However, the backdrop grew more complex as the U.S. government entered a prolonged shutdown in early October, disrupting economic data releases and raising concerns about near-term growth. A sharp pullback in mid-November highlighted growing investor sensitivity to policy risk and slowing economic momentum. That drawdown proved temporary, but leadership rotated meaningfully, with value and defensive sectors outperforming growth, as investors reassessed positioning following an artificial intelligence led rally that had dominated much of the year. Monetary policy remained central to market direction throughout the quarter. Following September's interest rate cut, the Federal Reserve delivered additional reductions in late October and in mid-December.

In the U.S. market, the Russell 1000 Growth Index (+1.1%) delivered rare underperformance versus the Russell 1000 Value Index (+3.8%). Slowing momentum for information technology, combined with a rallying financials sector, drove the difference during the quarter. Despite some rotation from growth to cyclicals, the underperformance of defensive sectors stayed constant, as both the

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

² The company does not meet the portfolio's criteria for environmental, social and governance (ESG) leadership or improvement.

³ The company is ineligible for investment according to the Calvert Principles for Responsible Investment.

real estate and consumer staples sectors posted negative returns. While small caps delivered a comparable return to the S&P 500 (Russell 2000 Index +2.2%), mid-caps were the clear laggard, with the Russell Midcap Index managing just a 0.2% gain.

Strength across Europe, highlighted by double-digit returns in Finland and Spain, powered the MSCI EAFE Index higher for the quarter. Japan also modestly outperformed the U.S., with the large allocation to financials and lower allocation to information technology supporting outperformance by non-U.S. developed markets. In emerging markets, further momentum in Korea (+27%) and Taiwan (+10%) drove the MSCI Emerging Markets Index higher during the quarter. These two countries accounted for the entire gain in the index, and offset meaningful weakness in China (-7%), the largest country in the index.

Outside of equities, diverging asset performance underscored the shifting tone. Gold extended its remarkable multiyear rally, reaching new record levels during the quarter as fiscal uncertainty, geopolitical risk and central bank demand supported prices. By contrast, bitcoin and other digital assets weakened notably during November and December, giving back a portion of their earlier gains as speculative enthusiasm faded.

Strategy and Outlook

MS INVF Calvert Diversity, Equity and Inclusion strategy is constructed using a proprietary methodology that leverages diversity and inclusion datasets and information on companies' DEI policies and programs to identify names that are leading or making meaningful improvements in DEI practices. The strategy is built on the Calvert Principles for Responsible Investment, which seek to identify companies that promote diversity and equity across workplaces, marketplaces and communities, with our research showing that these factors are material to company performance.

Higher levels of labor force participation and educational attainment by women and ethnic minorities have led to changes in overall employee makeup and boardroom diversity. However, we have yet to see these gains break through to the higher levels of executive and senior management roles. This is a critical issue affecting employee recruitment, retention, turnover, promotion equity and pay equity.

Companies with more diverse workforces benefit from diversity of thought, which leads to more innovation and an enhanced ability to problem solve and manage risks; benefits that groupthink can cause teams to miss out on. Diverse workforces also give companies a richer understanding of different customers and their unique needs, and impact strength of supplier relationships. Together, these elements lead to companies' long-term value creation. We studied the relationship between the ethnic diversity of corporate boards and equity performance using data from 2012-2020 and found that ethnic diversity factors improve U.S. large-cap equity stock selection.⁴ We also found a significant relationship between the degree of corporate board ethnic diversity relative to country demographics and monthly equity performance.⁴ We find that diversity is a material factor to companies across all countries and sectors. The stock performance penalty for bottom-quartile performers on diversity persists and can materially erode shareholder value.

MS INVF Calvert Diversity, Equity and Inclusion strategy is designed to offer investors exposure to companies that are leading in workforce diversity at the board, senior and executive management levels, and that offer leading policies and programs to create more equitable and inclusive work environments. The strategy also includes companies that are demonstrating meaningful improvements on these factors; the thresholds for which are reviewed annually to ensure the bar for both leadership and improvement are adjusted as we see improvements in overall market practice.

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

Fund Facts

| | |
|---------------|----------------------------------|
| Launch date | 08 April 2022 |
| Base currency | U.S. dollars |
| Benchmark | MSCI World Index Net Index (USD) |

⁴ Source: Calvert. Data as of September 2021.

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 | 15.04 | 15.04 | 14.84 | 28.08 | -- | -- | -- | -- | -- | -- | -- |
| MSCI World Index Net Index (USD) | 21.09 | 21.09 | 18.67 | 23.79 | -- | -- | -- | -- | -- | -- | -- |

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 relies on other parties to fulfill certain services, investments or transactions. If these parties become insolvent, it may expose the Fund to financial loss
- There may be an insufficient number of buyers or sellers which may affect the Fund's ability to buy or sell securities
- Sustainability factors can pose risks to investments, for example: impact asset values, increased operational costs.

- 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 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 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 building or shares of a company, as these are only the underlying assets owned.

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

INDEX INFORMATION

The **MSCI World Net 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 index is 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 All Country World Index (ACWI)** is a free float-adjusted market capitalization weighted index designed to measure the equity market performance of developed and emerging 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.

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.

The **MSCI EAFE Index** (Europe, Australia, Far East) is a free float-adjusted market capitalization index that is designed to measure the international equity market performance of developed markets, excluding the US & Canada. 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 MSCI EAFE Index currently consists of 21 developed market country indices. The performance of the Index is listed in U.S. dollars and assumes reinvestment of net dividends.

The **Russell 1000® Growth Index** measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000® Index companies with higher price-to-book ratios and higher forecasted growth values. The Russell 1000® Index is an index of approximately 1,000 of the largest U.S. companies based on a combination of market capitalization and current index membership.

The **Russell 1000® Value Index** is an index that measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values.

The **Russell 2000® Index** is an index that measures the performance of the 2,000 smallest companies in the Russell 3000 Index.

The **Russell Midcap® Index** is an index that measures the performance of the 800 smallest companies in the Russell 1000 Index.

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.

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