

A Sub-Fund of Morgan Stanley Investment Funds

Calvert Global Green Bond Fund



Performance Review

In the one month period ending 31 December 2025, the Fund's Z shares returned 0.81% (net of fees)¹, while the benchmark returned 0.60%.

December's performance was anchored by spread sectors, where securitised and corporate credit delivered robust gains amid resilient fundamentals and favourable technicals. Limited issuance and persistent demand for high-quality collateral supported structured products, while corporate spreads held near multi-year tights, reinforcing carry and selection benefits. Macro positioning modestly contributed to performance.

Euro area duration marginally detracted as global yield curves repriced higher and local dynamics offered little offset. Persistent core inflation and resilient wage growth kept near-term easing expectations muted, while the European Central Bank (ECB) maintained its deposit rate at 2.00% and reiterated that policy remains "in a good place." This steady stance, combined with broader upward pressure on yields, limited performance from euro area duration.

The underweight duration position in Japan added to performance as yields moved higher in December. The Bank of Japan raised its policy rate by 25 basis points (bps) to 0.75%, its highest level in decades, signalling continued policy normalisation while maintaining a cautious tone. This shift, combined with persistent inflation and strong wage trends, pushed long-end yields higher, making the Fund's underweight stance a positive contributor for the month.

Hard currency government debt delivered a marginal gain.

Credit spreads added to performance, driven by the Fund's exposure to high yield corporates, benefiting from strong carry and modest spread tightening as risk sentiment improved and default expectations remained contained. Robust demand for higher-yielding paper, coupled with limited new issuance, reinforced technical strength and supported performance across selective positions. Investment grade credit added gains more modestly, as spreads hovered near multi-year tights and liquidity conditions stayed favourable, allowing carry to dominate despite valuations offering little room for compression.

Securitised sectors contributed positively, with gains led by agency residential mortgage-backed securities (RMBS), while asset-backed securities (ABS) added incremental performance. Agency RMBS benefited from stable prepayment dynamics and strong demand for high-quality collateral. Technical strength remained a key tailwind, and security selection across RMBS continued to drive excess returns.

Market Review

Fixed income markets closed the year with a broad repricing of rate expectations, as central bank actions and communication reinforced a more cautious policy outlook. Across developed markets, yields moved higher and curves steepened as investors pushed out expectations for future rate cuts and assigned greater weight to rising term premia.

In the U.S., the Federal Reserve delivered a 25 basis point rate cut, but guidance emphasised data dependence, anchoring front-end yields while higher global yields pushed longer maturities higher. In Europe, the European Central Bank held rates steady but struck a more hawkish tone, driving a nearly 20 basis point sell-off in 10-year bunds,² while policy divergence remained evident elsewhere, including a rate hike by the Bank of Japan and a hawkishly interpreted cut by the Bank of England. In foreign exchange, the U.S. dollar weakened modestly on the month, with the Swedish krona and Canadian dollar outperforming and the Japanese yen lagging.

Despite higher government bond yields, credit markets ended the year on a constructive note. Investment grade spreads tightened modestly, supported by strong year-end inflows, limited primary issuance and continued demand for carry, with European credit outperforming the U.S. High yield posted its strongest month of the fourth quarter, benefiting from improving risk appetite, supportive technicals and a benign default backdrop, while convertible bonds underperformed amid renewed volatility in crypto-linked equities despite robust primary issuance.

Securitised markets were among the strongest performers in December. Agency mortgage-backed securities (MBS) spreads tightened meaningfully as the yield curve steepened and valuations remained attractive relative to other core fixed income sectors. Demand from money managers remained strong, and early signs of stabilisation emerged in bank balance sheet participation as the Fed's balance sheet runoff continued at a measured pace. Issuance across ABS, non-agency RMBS and commercial mortgage-backed securities (CMBS) was steady, capping a solid year of supply and reinforcing the sector's role as a high-carry, shorter-duration alternative within fixed income portfolios.

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

² Source: Bloomberg L.P. Data as of 31 December 2025.

Portfolio Activity

Overall, the Fund's underweight duration position was reduced by 0.21 years to 6.19 years vs. 6.25 years for the benchmark, reflecting a more cautious stance after November's rally.

The Fund initiated overweight duration positions to the euro area, Japan and the U.S.

The Fund marginally reduced its short U.S. dollar exposure versus a diversified basket of emerging markets currencies, maintaining a constructive view on emerging markets currencies. Within the basket, the Fund removed the Hungarian forint position and added Polish zloty.

The Fund increased the underweight position in government-related debt.

The Fund increased the overweight to French spreads.

Strategy and Outlook

The global macro environment entering 2026 reflects a world adjusting to structurally higher real yields, reduced fiscal flexibility and diverging monetary policy paths—the U.S. and the U.K. easing; Japan, Australia and New Zealand tightening; and others likely on hold. Real rates globally have reset after nearly 15 years of post-Global Financial Crisis monetary repression and now reflect the impact of persistent fiscal expansion funded less by central banks and more by private-sector investors.

Geopolitical risk and trade policy pressures could influence macroeconomic outcomes more directly than in past cycles. China continues to expand its manufacturing and export footprint, even as domestic demand remains weak, policymakers avoid aggressive easing, and U.S. trade policy becomes more restrictive. Across economies, the central question shifts from *“who cuts fastest?”* to *“who can sustainably operate within the constraints of higher real rates, fiscal limits imposed by growing government indebtedness, and geopolitical uncertainty?”* We believe this regime rewards selective duration, real-yield exposure, inflation hedges and sovereign differentiation.

Markets navigated a landscape shaped by disruptive and often conflicting forces. Tariffs fuelled uncertainty across supply chains, growth and inflation just as the Fed settled into its rate-cutting mode. Political gridlock in the U.S. culminated in a historic 43-day government shutdown—the longest on record. Yet, through these headwinds, fixed income demonstrated remarkable resilience, even amid stubbornly tight spreads.

The Bloomberg Global Aggregate Index USD Hedged returned 8.87% in 2025—its strongest performance since 2020 (and second-best since 2008)—marking a sharp rebound from the losses during the Fed's rate-hiking cycle in 2022.²

The theme of higher starting yields and tighter index-level spreads remains intact, but we anticipate greater dispersion across both macro and credit positions. While headlines emphasise tight corporate spreads, we believe structural factors will likely help sustain these levels—yet active credit selection will likely be the key driver of outperformance in the coming year.

Our outlook calls for global growth to moderate yet remain positive, with the potential to reaccelerate in the second half. Corporate fundamentals appear solid, supported by rising profits, while the promise of artificial intelligence-driven productivity gains looms large.

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

Fund Facts

Launch date	10 August 2022
Base currency	U.S. dollars
Benchmark	ICE BofA Green Bond Index

² Source: Bloomberg L.P. Data as of 31 December 2025.

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	13.35	13.35	-2.29	10.46	--	--	--	--	--	--	--
ICE BofA Green Bond Index	13.04	13.04	-2.53	10.43	--	--	--	--	--	--	--

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 value of bonds is likely to decrease if interest rates rise and vice versa.
- Issuers may not be able to repay their debts, if this happens the value of your investment will decrease. This risk is higher where the fund invests in a bond with a lower credit rating.
- 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 fund's ability to buy or sell securities.
- Investing in emerging markets brings increased risk through less developed political, legal and operational systems.
- The value of financial derivative instruments is highly sensitive and may result in losses in excess of the amount invested by the Fund.

- 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.

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