

A Sub-Fund of Morgan Stanley Investment Funds

Calvert Sustainable Developed Europe Equity Select Fund



Performance Review

In the three month period ending 31 December 2025, the Fund's Z shares returned 5.47% (net of fees)¹, while the benchmark returned 6.25%.

The Fund is designed to offer long-term shareholder return through exposure to companies that are leaders in the environmental, social and governance (ESG) landscape, or improvers in addressing environmental and social challenges and managing material ESG risks. Calvert believes that companies that demonstrate leadership and/or improvement in the management of financially material ESG risks and opportunities offer long-term value creation for shareholders. The investment approach identifies ESG leaders and improvers using a proprietary quantitative and qualitative analysis to construct a portfolio that manages active risk relative to the market benchmark, the MSCI Europe Index. The portfolio also aims to maintain a carbon footprint 50% lower than the benchmark and higher levels of board gender diversity compared to the benchmark.

During the fourth quarter, the top detractor from the Fund's relative performance was stock selection in the financials sector. Overweight positions in 3i Group Plc and AXA SA, along with not holding Banco Bilbao Vizcaya Argentaria SA² and HSBC Holdings Plc,² weighed on performance.

Information technology was another significant detractor during the period, due to both an overweight allocation to and weak stock selection in the sector. Overweight positions in SAP SE and Halma Plc were particularly detrimental.

Other notable detractors included overweight positions in the underperforming industrial names RELX Plc and Legrand SA. Similarly, overweights in Whitbread Plc in consumer discretionary and in Telefonica SA and Auto Trader Group Plc in communication services hurt the Fund's performance.

The key contributor to the Fund's relative performance in the fourth quarter was stock selection in industrials; an underweight allocation to the sector also contributed. In particular, an overweight in Deutsche Post AG and not holding the negatively performing Rheinmetall AG³ and BAE Systems Plc² supported results.

In the health care sector, both stock selection and an overweight allocation contributed positively. Overweights in AstraZeneca Plc, GSK Plc and Roche Holding Ltd. bolstered the Fund.

Other significant contributors included overweight positions in Erste Group Bank AG in financials, Iberdrola SA in utilities, and LVMH Moët Hennessy Louis Vuitton SE in consumer discretionary. Additionally, not holding Spotify Technology SA² in communication services and Air Liquide SA² in materials supported performance, as did not holding consumer discretionary names Ferrari NV² and Prosus NV.²

At the country level, stock selection in the United Kingdom and Spain detracted from performance. Conversely, stock selection in and an overweight allocation to Austria benefited the Fund, alongside stock selection in Germany. In the detracting markets, overweights in 3i Group Plc and RELX Plc in the U.K. weighed on results, as did an overweight in Telefonica SA and not holding Banco Bilbao Vizcaya Argentaria SA² in Spain. On the upside, an overweight in Erste Group Bank AG and not holding Verbund AG² in Austria were supportive. An overweight in Germany's Deutsche Post AG and not holding Rheinmetall AG³ were also additive during the period.

Market Review

European shares had a good year overall in 2025, finishing higher after a period of uncertainty in recent years. Markets were helped by easing inflation, steadier economic growth and growing confidence that interest rates were close to coming down. Investors became more comfortable taking risk as the outlook for households and businesses improved, and European markets performed competitively compared with other developed regions for much of the year. A stronger euro also boosted returns for overseas investors.

Performance across the market was fairly broad-based, with both economically sensitive companies and more defensive businesses contributing to gains. Banks benefited from still-elevated interest rates and improving loan demand, while industrial companies were supported by stronger investment activity and public spending. Defense-related companies stood out as governments increased military budgets, reflecting ongoing geopolitical tensions. At the same time, some globally exposed companies experienced periods of volatility, particularly when trade tensions or political headlines resurfaced.

Despite the positive results, challenges remained. Economic growth was uneven across countries, and concerns about trade relationships and geopolitics occasionally unsettled markets. Investors also remained cautious about longer-term issues such as

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

² The company does not meet the portfolio's criteria for ESG leadership or improvement.

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

productivity and competitiveness in parts of Europe. Even so, by year-end, sentiment toward European equities was noticeably more constructive than at the start of 2025, leaving markets on firmer footing heading into 2026.

Strategy and Outlook

As we look ahead with a focus on major factors that are shaping a multidecade transformation of the global economic system relevant to responsible long-term investors, four areas have the potential for the greatest impact from a risk and opportunity perspective: i) Changes to the global energy system — both in terms of the existing fossil fuel system and the development of a distributed, lower-carbon system — are accelerating and revealing challenges for companies globally; ii) Demographic changes, including educational attainment, continue to impact the workforce, as well as the ultimate size of consumer markets globally, with the vast majority of companies yet to fully adapt to these massive changes; iii) Higher costs, including interest rates, wages and raw materials, present unique challenges to every industry and will likely result in greater differentiation between companies that are able to manage their cost structure and improve productivity and those that are less efficient or trapped in a high fixed operating cost model; iv) Finally, various forms of pricing of externalities — either by governments or through market action — are taking effect and will likely act to raise costs and influence corporate and consumer behavior.

With this future state in mind, leadership on issues of sustainability across industries requires a company to evolve its product strategy, refine its corporate strategy and continually strengthen its ability to provide effective oversight and execution of the sustainable transition before us.

MS INVF Calvert Sustainable Developed Europe Equity Select strategy is built on our belief that companies addressing the sustainability challenges presented by this multidecade transformation are better positioned to deliver shareholder return and positive societal outcomes. The Fund seeks to invest in companies that are leaders and improvers at managing this future business state, either through their operations and corporate strategy, or through the products and services that they offer.

Using ESG performance on financially material issues as the primary criteria for stock selection, the Fund uses a combined quantitative and qualitative approach to narrow the investment universe and identify and invest in the best-performing companies in the Calvert Research System from an ESG standpoint. The portfolio is then optimized to manage risk, lower the overall greenhouse gas emissions of the portfolio and increase the board level diversity of the portfolio against the benchmark. The result is an actively managed portfolio of large-cap European stocks designed to provide risk-controlled returns in excess of the MSCI Europe Index, with exceptional performance on environmental and social issues.

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

Fund Facts

Launch date	08 April 2022
Base currency	Euro
Benchmark	MSCI Europe Net Index (EUR)

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	12.27	12.27	10.00	18.34	--	--	--	--	--	--	--
MSCI Europe Net Index (EUR)	19.39	19.39	8.59	15.83	--	--	--	--	--	--	--

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. 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 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

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

INDEX INFORMATION

The **MSCI Europe (Net) Index** is a free float-adjusted market capitalization index that is designed to measure developed market equity performance in Europe. As of September 2002, the MSCI Europe Index consisted of the following 16 developed market country indices: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, and the United Kingdom.

The indexes are unmanaged and do not include any expenses, fees, or sales charges. It is not possible to invest directly in an index.

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Legislativo 861: Ley del Mercado de Valores (the "Securities Market Law") as amended, and under the **Reglamento del Mercado de Inversionistas Institucionales** approved by **Resolución SMV N°021-2013-SMV/01** as amended by the **Resolución de Superintendente N°126-2020-SMV/02** (the "**Reglamento 1**") and **Resolución de Superintendente N°035-2021-SMV/02** (the "**Reglamento 2**"), and are being offered to institutional investors only (as defined in article 8 of the Securities Market Law) under the special public offering directed exclusively to the institutional investors under the **Reglamento 1 and Reglamento 2**, then the interests in the Fund will be registered in the Section "**Del Mercado de Inversionistas Institucionales**" of the Securities Market Public Registry (**Registro Público del Mercado de Valores**) maintained by the **Superintendencia del Mercado de Valores (SMV)**, and the offering of the Fund interests in Peru only to institutional investors will be subject to the supervision of the SMV, as well as any transfers of the Fund interests shall be subject to the limitations contained in the Securities Market Law and the regulations issued thereunder mentioned before, under which the Fund interests may only be transferred between institutional investors under Article 27 of the **Reglamento 1 and Reglamento 2**. If neither the Fund nor the interests in the Fund have been and will not be registered in Peru under **Decreto Legislativo 862** and under **Decreto Legislativo 861 referenced above**, nor they will be subject to a public offering directed to institutional investors under the **Reglamento 1**, and will be offered to institutional investors only (as defined in article 8 of the Securities Market Law) pursuant to a private placement, according to article 5 of the Securities Market Law, the interests in the Fund will not be registered in the Securities Market Public Registry maintained by the **SMV**, and the offering of the Fund interests in Peru to institutional investors nor the Fund will be subject to the supervision of the SMV, and any transfers of the Fund interests shall be subject to the limitations contained in the Securities Market Law and the regulations issued thereunder mentioned before, under which the Fund interests may only be transferred between institutional investors.