A Sub-Fund of Morgan Stanley Investment Funds

China A-shares Fund

EMERGING MARKETS EQUITY TEAM

Investors should note that, relative to the expectations of the Autorité des Marchés Financiers, this UCITS presents disproportionate communication on the consideration of extra-financial criteria in its management.

Performance Review

In the one month period ending 30 November 2025, the Fund's Z shares returned -2.10% (net of fees)[1], while the benchmark returned -2.27%.

In November, our stock selection in the utilities, energy and health care sectors contributed to returns. Our stock selection in and underweight allocation to the materials sector detracted. Our stock selection in the industrials sector and our underweight allocation to the consumer staples sector detracted. While our stock selection in the information technology (IT) sector contributed to returns, the gains were offset by our overweight allocation to the sector. The IT, health care and industrials sectors were the worst performing sectors as the market saw profit-taking with style rotation from growth and momentum stocks to quality stocks.

At the stock level, our overweight selections to Zhongji Innolight and NAURA Technology and zero-weight selection to Semiconductor Manufacturing International Corp contributed to returns. Zhongji Innolight, along with artificial intelligence (AI) and optical-related stocks, rose on the announcement of the Meta-Google deal, which is expected to cause a surge in demand for high-speed optical modules in AI data centers and 5G infrastructure. NAURA Technology also advanced, supported by China's localization push and its strategic role as a leading semiconductor equipment supplier. On the other hand, our overweight selections to Hua Hong Semiconductor, Montage Technology and Foxconn Industrial Internet detracted amid valuation concerns and profit-taking. Our overweight selection to China Merchants Bank and China Construction Bank contributed to returns as investors shifted from growth to yield-focused stocks. Our overweight selection to Weichai Power contributed as the stock rallied following its announcement of securing a manufacturing license to produce Ceres Power's proprietary solid oxide fuel cell (SOFC) technology in China. These SOFC systems are intended for stationary power applications, including AI data centers, commercial buildings and industrial facilities. Our overweight selection to Zhejiang Sanhua Intelligent Controls detracted as shares declined on news of share capital adjustments and market concerns over a planned secondary offering in Hong Kong. Our overweight selection to Ningbo Tuopu also detracted on underwhelming third quarter earnings and broader electric vehicle market volume concerns.

Market Review

China A shares continued to experience consolidation driven by profit-taking, weak economic indicators and escalating geopolitical tensions. The MSCI China A Onshore Index returned -2.27% in U.S. dollar (USD) terms during the month, underperforming the MSCI All Country Asia ex-Japan Index, which returned -2.84%.

China's economy showed mixed signals in November. High-frequency data suggested growth momentum remains uneven as industrial production growth moderated after September's strong 6.5% year-over-year jump, while retail sales stayed soft and fixed asset investment contraction deepened, reflecting persistent property sector stress and the impact of "anti-involution" policies.[2]

China's consumer price index (CPI) inflation rose to +0.2% year-over-year in October from -0.3% in September, due to reduced food deflation and higher non-food prices, likely driven by seasonal demand during Golden Week. Producer price index (PPI) inflation improved slightly to -2.1% from -2.3%, mainly because of last year's low base rather than current price increases.[3]

The official National Bureau of Statistics (NBS) manufacturing PMI rose slightly to 49.2 in November from 49.0 in October, remaining below the 50 threshold and signaling continued contraction. The NBS non-manufacturing PMI declined to 49.5 in November from 50.1 in October, entirely driven by a deceleration in the service sectors. According to NBS, the weakness in the November services PMI was in part due to the diminishing holiday effect.[4] The private-sector RatingDog manufacturing PMI slipped to 49.9 from 50.6, indicating renewed weakness, with new orders and output sub-indexes declining the most.[4]

In its third quarter 2025 monetary policy report, the People's Bank of China reaffirmed its focus on key policy rates, following steps to standardize deposit rates and reduce irregular interest subsidies to enhance monetary efficiency. The central bank advised markets to use aggregate financing and money supply—rather than traditional bank lending—to assess financial support, while signaling slower credit growth.

China confirmed the rollback of select tariff and non-tariff measures from 10 November, including the suspension of 24% reciprocal tariffs on the U.S. for one year and the removal of export controls on certain U.S. entities. The U.S. Department of Defense

[1] Source: Morgan Stanley Investment Management. Data as of 30 November 2025.
[2] Source for industrial production, retail sales, fixed asset investment and GDP data: National Bureau of Statistics of China, 15 December 2025.
[3] Source for all inflation data: National Bureau of Statistics of China, 10 December 2025.
[4] Source for all PMI data: National Bureau of Statistics of China, 30 November 2025, and S&P Global, 1 December 2025.

proposed adding Alibaba, Baidu and BYD to a list of companies that the U.S. government believes have ties to the Chinese military. Although inclusion on the list does not result in immediate sanctions, it may subject these companies to heightened scrutiny and could eventually lead to restrictions on U.S. investment.

Portfolio Activity

During the month, we exited our position in Yili Industrial Group due to structural challenges within the dairy sector. The industry continues to grapple with oversupply, which has pressured pricing and margins, while consumer demand remains persistently weak amid a sluggish recovery in household spending. Despite government initiatives aimed at boosting birth rates—a key long-term driver for dairy consumption—policy measures have been underwhelming and have not translated into meaningful demand improvement.

Strategy and Outlook

While China's earlier economic stimulus package lent support to the economy, the escalation in trade tensions and tariff changes by the U.S. administration introduced significant uncertainties to the global economic outlook and brought downside risks to China's exports and broader economic growth. Corporate investment could be scaled back in light of much greater macro uncertainty on a global basis. Additionally, domestic deflationary pressure could intensify further if external demand slows significantly and more Chinese production needs to look for outlets internally. These, in turn, would lead to downward pressure on corporate earnings. Meanwhile, the Chinese government could introduce additional stimulus measures to offset the tariff impact. We will continue to monitor the geopolitical situation and China's policy implementation in the coming months. The market needs to watch for details of the follow-up fiscal policies, which are key to boosting demand and growth.

We think the A share market will likely remain in a barbell structure as market/insurance fund flows could still hold on to some traditional high-dividend-yield stocks but will likely also continue to favor sectors with growth tailwinds. We believe the Fund can potentially outperform the market under the current environment as we position in what we consider high quality companies with a stable fundamental outlook and undemanding valuation.

Our China A portfolio has always been focused on long-term fundamentals, and we continue to seek structural growth opportunities in China. Despite the near-term macro challenges, over the long term, we remain constructive that Chinese innovation and technology will catch up quickly. We believe the emergence of DeepSeek marked a turning point in China's broader resurgence in innovation, investment and global competitiveness, at a time of renewed nationalism in the country. We remain invested in attractive growth themes (electric vehicles, edge AI and high-end manufacturing, among others) and within those themes focusing on those companies with competitive advantages, strong corporate governance and solid growth prospects. We believe China remains an attractive market that offers a wide breadth of listed companies that can deliver attractive returns over the longer term.

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

Fund Facts

Launch date	29 December 2017
Base currency	U.S. dollars
Benchmark	MSCI China A Onshore 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	21.73	10.36	-11.91	-23.34	-2.19	13.82	19.42	-16.60	--	--	--
MSCI China A Onshore Index	23.88	11.59	-11.65	-27.23	4.03	40.04	37.48	-32.99	--	--	--

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 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.
- Investments in China involves a risk of a total loss due to factors such as government action or inaction, market volatility and reliance on primary trading partners.
- Investment in China A-Shares via Shanghai-Hong Kong and Shenzhen-Hong Kong Stock Connect programs may also entail additional risks, such as risks linked to the ownership of shares.
- There are increased risks of investing in emerging markets as political, legal and operational systems may be less developed than in developed markets.
- 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.

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.

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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 Asia Ex-Japan** Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of Asia, excluding Japan. The performance of the Index is listed in U.S. dollars and assumes reinvestment of net dividends.

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