

A Sub-Fund of Morgan Stanley Investment Funds
Europe Opportunity Fund

GLOBAL OPPORTUNITY

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 three month period ending 31 December 2025, the Fund's Z shares returned 1.42% (net of fees)¹, while the benchmark returned 6.25%.

Year-to-date (YTD), the Fund returned -1.16% (Z shares net of fees) and the benchmark returned 19.39%.

The Global Opportunity team creates a high conviction, concentrated portfolio of undervalued, high quality businesses. The long-term investment horizon and high active share approach can result in periods of performance deviation from the benchmark. The Fund underperformed the MSCI Europe Index this quarter due to unfavourable stock selection and sector allocation.

Market Review

European equities advanced during the quarter, led higher by the health care, utilities and financials sectors. Communication services was the only sector to decline, while real estate and industrials also underperformed the benchmark.

Portfolio Review

Stock selection and an overweight position in consumer discretionary, as well as stock selection in financials were the greatest overall detractors from the relative performance of the portfolio during the quarter. Top individual detractors included Swedish audio streaming platform Spotify Technology SA, online real estate platform Rightmove Plc, global payments facilitator Wise Plc, Polish ecommerce platform Allegro.eu SA and global motorsports brand Formula One Group.

Stock selection and an underweight position in industrials, as well as stock selection in consumer discretionary contributed to the relative performance of the portfolio during the quarter. Top individual contributors included Danish freight forwarder DSV A/S, Italian luxury brand Moncler SpA, hospitality company Accor SA, Swiss premium performance sports brand On Holding AG and global aesthetic dentistry provider Straumann Holding AG.

Shares of Spotify underperformed during the period, despite reporting third quarter earnings that exhibited continued operating momentum, strong user and profitability growth, and record free cash flow, as investors turned their focus toward cautious revenue guidance driven by currency headwinds and recent softness in advertising business. Headquartered in Sweden, Spotify is an innovative audio streaming platform that exhibits differentiation leadership by leveraging the unique data of 713 million monthly active users, including 281 million paying premium subscribers,² and is in a strong position to expand its user base given its extensive playlists. We believe Spotify's strong growth can be supported by entering new geographies, investing in its advertising business and expanding its non-music content as well as user experience.

Shares of Rightmove underperformed as the company lowered its profit expectations for 2026 due to increased technology investments as the company aims to build and scale an artificial intelligence (AI)-powered platform, which management expects to strengthen the company's leadership position and user engagement as well as expand its opportunity set. Rightmove is the U.K.'s largest online real estate portal and property marketplace. We believe Rightmove is unique in its network effect with market-leading audience, best-in-class software and data-driven analytics, and strong pricing power with advertising agents making it the only place where home buyers and renters can easily access almost the entire U.K. property market.³ We believe it can continue to monetize through increased product penetration, pricing and innovation, as well as through other adjacent property and advertising related businesses.

Shares of DSV advanced after posting stronger-than-expected third quarter earnings results and guiding towards sooner-than-expected synergies realised from the acquisition of DB Schenker logistics operations. DSV A/S is a leading global asset-light freight forwarder with a unique blend of people, processes and information technology services. DSV enjoys leading positions in air and sea logistics globally as a result of strategic acquisitions that have diversified the firm out of the core road forwarding business and enabled it to grow in scale, network and sophistication in digital capabilities, on top of industry consolidation trends. We believe the company's information technology platform, people and processes allow it to operate efficiently in the value-added activities in forwarding that have been more immune from digital disruptions and volatile market pricing. The company also maintains a shareholder-friendly capital allocation policy that combines share buybacks with stable dividends in the absence of value-accretive merger and acquisition (M&A) activity.

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

² Source: Company data as of 30 September 2025.

³ Source: Annual Report 2022

Shares of Moncler outperformed during the period, with the company reporting results in line with market expectations, driven by resilience in the direct-to-consumer channel and robust demand in China and U.S., along with continued brand momentum heading into the important winter season. Additionally, broader improvements in investor sentiment toward the luxury market further drove outperformance. We believe that Moncler is unique due to its strong brand heritage, excellent quality and elegance, integrated business model and a strong management team. Based on our analysis, Moncler exhibits strong pricing power due to its differentiated and highly functional product offering, yet its pricing is still competitive relative to other core luxury players with similar products, leaving room for future pricing growth. Moreover, the company has innovative marketing and excellent storytelling, which it continues to leverage to expand into other product categories. Our analysis suggests Moncler's upmarket focus on sleek, distinctive high-end outerwear, category expansion and direct control of higher value-added activities can continue to give the company strong pricing power, high margins and return on invested capital.

Outlook

Quality underperformed by the largest percentage in over 20 years in 2025, trailing the MSCI All Country World Index by 375 basis points (bps) globally in euro terms.⁴ This dynamic has been even more pronounced in Europe as quality underperformed by 1,077 bps, driven by outperformance in shares of European financials and defence.⁵ The Fund's underweight positioning in these industries reflects our disinclination to balance sheet and regulatory risk, high leverage and capital intensity, as well as reliance on government policy. Our preference remains investing in high quality companies with robust financial positions, which in our view are better situated to control their own destinies and successfully navigate periods of market uncertainty. Historically, our portfolio has underperformed in similar rotational market environments, where top-down factors outweigh bottom-up fundamentals.

Despite a challenging market environment to navigate, our investment philosophy remains unchanged. We have high conviction in our portfolio holdings, supported by strong execution stories and robust fundamentals. Our portfolio is now trading at an attractive absolute valuation level of 4.6% free cash flow yield, and our companies are expected to grow revenues 11.5% compounded annually over the next three years, notably higher than the benchmark at 7.6%.⁶ We believe this creates one of the most attractive backdrops in our strategy's history.

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

Fund Facts

Launch date	08 April 2016
Base currency	Euro
Benchmark	MSCI Europe (Net) Index

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	-1.16	-1.16	18.44	21.41	-39.97	24.21	41.12	30.08	-9.25	10.76	--
MSCI Europe (Net) Index	19.39	19.39	8.59	15.83	-9.49	25.13	-3.32	26.05	-10.57	10.24	--

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.**

⁴ Quality stocks are represented by the MSCI All Country World Index (ACWI) Quality Index, which aims to capture the performance of quality growth stocks by identifying stocks with high quality scores based on three main fundamental variables: high return on equity, stable year-over-year earnings growth and low financial leverage. Year-to-date as of 31 December 2025, the MSCI ACWI Quality Index returned 4.12% and the MSCI ACWI returned 7.87% in euro terms. Source: MSCI.

⁵ Year-to-date as of 31 December 2025, the MSCI Europe Quality Index returned 8.62% and the MSCI Europe Index returned 19.39% in euro terms. The MSCI Europe Quality Index aims to capture the performance of quality growth stocks by identifying stocks with high quality scores based on three main fundamental variables: high return on equity, stable year-over-year earnings growth and low financial leverage. Source: MSCI.

⁶ Free cash flow yield based on 2027 consensus estimates Source: Morgan Stanley Investment Management. Data as of 31 December 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 fund's 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.

- 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](http://www.morganstanleyinvestmentfunds.com) 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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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 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 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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