

A Sub-Fund of Morgan Stanley Investment Funds

Indian Equity 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 -0.02% (net of fees)¹, while the benchmark returned 0.87%.

India rose +0.9% (MSCI India Index), outperforming most emerging markets on optimism about an India-U.S. trade deal, better-than-expected second quarter fiscal year 2026 earnings, and an improving macro outlook, though gains were tempered by robust capital market activity.

Our zero-weight allocation to the utilities sector contributed to returns. Our overweight allocation to and stock selection in the financials sector also added to performance. Our overweight allocation and stock in the industrial sector also contributed. Conversely, our stock selection in the consumer discretionary, health care, communication services and materials sectors detracted.

At the stock level, our overweight selection to Samvardhana Motherson International was a significant contributor to returns as the company reported strong quarterly results and robust order inflows in auto components.

Similarly, our overweight position in Shriram Finance Ltd. added meaningfully to performance, as continued momentum in loan growth and strong earnings drove outperformance relative to peers. Company management provided a positive forecast, citing anticipated growth in demand, expansion in rural markets, infrastructure segment development and improved net interest margins, all of which contributed to sustained investor confidence.

Our overweight selection to Eternal Ltd. detracted from relative returns. The stock underperformed driven by weaker-than-expected operating performance. Intense competition in online grocery delivery has led to heavy discounting, raising doubts about the profitability of Indian firms.

In addition, our overweight selection to Bharti Hexacom Ltd. was a material drag on performance, as the stock fell amid concerns over competitive pressures and slower-than-anticipated growth in subscriber additions.

Market Review

The MSCI India Index rose +0.9%, outperforming the MSCI Emerging Markets Index, which declined -2.4%, in U.S. dollar terms. The S&P BSE Sensex gained +2.1%, while the S&P BSE Midcap Index advanced +0.4%, both outperforming the S&P BSE SmallCap Index, which fell -3.4% during the month. The MSCI India Growth Index was flat at 0.0%, underperforming the MSCI India Value Index, which rose +1.6%.

Foreign institutional investors remained buyers with net inflows of approximately \$0.4 billion, while domestic institutional investors continued their buying trend with inflows of about \$8.7 billion. Systematic investment plan inflows remained robust, hitting another record high of \$3.3 billion.²

Third quarter 2025 gross domestic product (GDP) exceeded expectations, coming in at 8.2% from one year ago, accelerating from an already strong 7.8% in the second quarter of 2025.³ The robust GDP growth was due to short-term favourable trends, certain statistical effects and other temporary influences.

In November, the rupee depreciated slightly by 0.8% against the U.S. dollar and appreciated by 0.8% against the euro during the month.⁴

Oil prices fell by approximately -1.3% in November on rising global inventories and weakening demand expectations.⁵

¹ Source: Morgan Stanley Investment Management. Data as of 30 November 2025.

² Source for all India flows data: National Securities Depository Limited and Association of Mutual Funds in India. Data as of November 2025.

³ Source: Central Statistics Office India, 28 November 2025.

⁴ Source: J.P. Morgan – India Equity Strategy, published 1 December 2025.

⁵ Source: Oil prices from Bloomberg L.P., based on Indian Basket of Crude Oil Prices Daily Index, which measures the price of crude oil imports in India.

Portfolio Activity

During the month, we exited our position in Happy Forgings. Weak global macro conditions and a slowdown in key export markets, particularly Europe, which accounts for nearly three-fourths of its overseas revenue, have reduced visibility of revenues. The cyclical downturn in the global commercial vehicle and farm equipment segments has also weighed on volumes. Furthermore, the company is in the midst of a heavy capital expenditure cycle to expand into heavy forgings and industrial components, which is a near-term drag on free cash flow.

We also exited our position Vikram Solar, one of India's largest solar photovoltaic (PV) module manufacturers. The tariff by the U.S. has complicated the dynamics of India's solar manufacturers. U.S. exports have been a sizable profit pool in past few years. We see a risk of lack of exports opportunities potentially impacting domestic supply/demand dynamics. Export challenges in the solar modules and panels sector present an industry concern, as surplus capacity may develop in the absence of strong export demand.

Strategy and Outlook

High-frequency indicators in November signalled continued resilience in domestic demand, buoyed by the festive season and supportive policy measures. Passenger vehicle retail sales continued to maintain momentum post-festive period, rising 9.2% year-on-year, while two-wheeler retail sales increased by 8.6%. Credit growth picked up further, reaching 11.4% year-on-year, supported by broad-based improvement across industry and retail loans.⁶

Goods and services tax (GST) collections edged down to 1.7 trillion rupees in November, with the year-on-year growth rate moderating sharply to 0.7% from 4.6% in October.⁶ The manufacturing PMI softened to 56.6 from 59.2 in the previous month, indicating slower expansion in sales and production. In contrast, the services PMI improved to 59.8 from 58.9, supported by a sharper uptick in new orders and output.⁶

Headline inflation in November showed a modest uptick, rising to 0.7% year-on-year from the record low of 0.3% in October.⁷ This increase was largely driven by a slower pace of decline in food prices, which fell 3.9% year-on-year compared to 5% in the prior month, as certain categories such as cereals, pulses and vegetables saw sequential gains. Fuel inflation also edged higher to 2.3%, reflecting a slight firming in energy costs. Core inflation, which excludes food and fuel, remained broadly stable at 4.4%, while the narrower measure excluding gold and gasoline eased further to 2.4%, indicating continued softness in underlying price pressures.

Private consumption has emerged as the chief engine of India's growth in late 2025

The GST rate cuts enacted in September (effective 22 September) significantly lowered prices on a swathe of goods – a timely boost ahead of India's major festive season (October to November) and consumers responded enthusiastically. Demand has stayed resilient into November, underscored by high-frequency indicators. We believe India is experiencing a discretionary consumption-led upswing, aided by a pro-growth fiscal stance and the tailwind of low inflation. While inflation is expected to slowly inch up from current levels (as base effects fade and food prices normalise toward average levels, GST rationalisation was deflationary as well) but should remain comfortably within the central bank's target, allowing the Reserve Bank of India some more breathing space. As a result, we believe that liquidity should remain ample (aiding credit flow), though the central bank will likely be watchful of not letting excess liquidity reignite any price pressures. We are also closely monitoring rural income indicators like winter crop sowing, which can indicate a broad-based consumption revival. We remain positioned in what we believe are cyclically beneficial consumer and financials companies as a result.

We remain hopeful that sustained government spending will likely eventually crowd in private investments, which so far have been concentrated in household-led real estate purchases. While macro commentary points to optimism for real estate as part of the broader investment cycle, recent sector updates indicate a reckoning after the run-up. Anecdotally, developers are focusing on selective land acquisitions, signalling a shift toward strategic expansion rather than aggressive capital expenditure, signalling a more measured approach. Multilateral agencies are backing infrastructure expansion—ADB approved a \$240 million loan for Chennai Metro, and the World Bank committed \$305 million for Haryana's clean air initiative, signalling strong global confidence in India's infrastructure roadmap.

As we have previously noted, corporate earnings appear to have bottomed out after a challenging fiscal year 2025, marked by simultaneous fiscal and monetary tightening. November saw upgrades to forward earnings estimates, reversing the trend of cuts earlier in the year. We continue to believe that India is positioning itself as a global manufacturing hub through reforms in labour codes and targeted incentives for electronics, chemicals and renewables. Export diversification beyond traditional markets—towards Africa, Latin America and Europe—should mitigate risks from global trade tensions. While we remain cautious on exporters given the global backdrop, we see selective opportunities in segments such as electronics, pharmaceuticals and specialty chemicals as longer-term beneficiaries of India's manufacturing push.

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

Fund Facts

Launch date	30 November 2006
Base currency	U.S. dollars
Benchmark	MSCI India (Net) Index

⁶ Source: Source for credit growth, GST and PMI data: Morgan Stanley – India Economics: India Trendspotting, published 3 December 2025.

⁷ Source: Source for CPI data: Morgan Stanley – India Economics, published 12 December 2025.

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	-0.82	22.77	21.31	-9.84	32.47	8.82	1.98	-20.22	41.73	2.72	-0.29
MSCI India (Net) Index	3.12	11.22	20.81	-7.95	26.23	15.55	7.58	-7.30	38.76	-1.43	-6.12

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 fund's ability to buy or sell securities.
- 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. 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 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 **MSCI Emerging Markets Net Index** is a free float-adjusted market capitalization weighted index that is designed to measure equity market performance of 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 MSCI Emerging Markets Index currently consists of 24 emerging-market country indices. The performance of the index is listed in U.S. dollars and assumes reinvestment of net dividends. The index does not include any expenses, fees or sales charges, which would lower performance. The index is unmanaged and should not be considered an investment. It is not possible to invest directly in an index.

The **S&P BSE SENSEX (S&P Bombay Stock Exchange Sensitive Index)** is a free-float market-weighted stock market index of 30 well-established and financially sound companies listed on Bombay Stock Exchange.

The **S&P BSE SmallCap Index** measures the small-cap segment of India's stock market.

The **S&P BSE MidCap Index** measures the mid-cap segment of India's stock market.

The **MSCI India Growth Index** captures large- and mid-cap securities exhibiting overall growth style characteristics in India, as defined by long-term forward earnings per share (EPS) growth rate, short-term forward EPS growth rate, current internal growth rate and long-term historical EPS growth trend and long-term historical sales per share growth trend.

The **MSCI India Value Index** captures large- and mid-cap Indian securities exhibiting overall value style characteristics, as defined by book value to price, 12-month forward earnings to price and dividend yield

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