

A Sub-Fund of Morgan Stanley Investment Funds

# International Resilience Fund

**INTERNATIONAL EQUITY TEAM**

## Performance Review

In the one month period ending 30 November 2025, the Fund's Z shares returned -2.31% (net of fees)<sup>1</sup>, while the benchmark returned -0.03%.

The portfolio is behind the index for the year-to-date, having returned +11.18% versus the index's very impressive +28.53%.

The portfolio's underperformance in the month was attributable to both sector allocation and stock selection. Sector allocation was negative due to the portfolio's overweight to information technology (IT) and underweight to financials, while stock selection was hurt by weakness in industrials.

The largest **absolute contributors** to performance were **AstraZeneca** (+37 basis points [bps]), after reporting strong quarterly earnings while continuing to benefit from the U.S. drug-pricing deal announced in October; a new holding, which will be reported at quarter-end (+30 bps); **Haleon** (+26 bps), as investors positively received reports on cost-takeout potential through supply-chain, manufacturing and productivity improvement efforts; **DSV** (+19 bps), thanks to strong earnings and accelerating synergies from its DB Schenker acquisition; and **Intercontinental Hotels** (+19 bps), which continued to see strength following its strong third quarter update.

Turning to the largest **absolute detractors** from performance, both **RELX** (-44 bps) and **SAP** (-38 bps) continue to suffer from negative investor sentiment driven by artificial intelligence (AI)-disruption fears, which we believe are overstated. Other top detractors included **Legrand** (-42 bps), as shares fell sharply following its third quarter earnings results which missed consensus, while full-year guidance was maintained by management; **Rightmove** (-41 bps), after management lowered medium-term growth targets while facing potential litigation over alleged unfair pricing; and **TSMC** (-34 bps), which was impacted by broader tech sector volatility as investors took profit amongst rising concerns on increased capital expenditure demands and sustainability of demand.

## Market Review

International equity markets were softer in November, with the MSCI All Country World (ACWI) ex-U.S. Index returning +0.03% in U.S. dollars (USD) and +0.14% in local currencies, as markets digested softening macro data and a rotation away from the year's most crowded, AI-exposed names. Despite November's muted performance, the index rose an impressive +29% in USD (helped in part by a weak dollar) year-to-date and +22% in local. The rotation away from AI-exposed names most notably impacted information technology (-6% USD) and communication services (-5%), which finished as the worst-performing sectors in the month. Meanwhile, health care (+5%), utilities (+3%) and consumer staples (+3%) all finished as the top-performing sectors as the market turned to favour traditionally defensive sectors. Materials (+4%) was also strong as key inputs such as metals began to rise in price. Turning to geographies, several Asian emerging markets declined, including China (-2% in USD and local), which weakened as soft economic data and limited incremental policy support kept sentiment subdued. Korea (-8% USD, -5% local) and Taiwan (-5%, -3%) also fell sharply, given their heavy weightings to semiconductor and electronics names, which sold off on concerns around memory-chip pricing, export softness and broader global tech volatility. Within Asia's developed markets, performance was mixed, with Hong Kong (+3% USD, +3% local) outperforming the index, while Singapore remained flat and Japan (-1%, +1%) underperformed in USD. Europe outperformed (+1% in both USD and local), bolstered by easing inflationary pressures across the euro area boosting rate-sensitive sectors such as financials, and improving macro data easing sentiment towards cyclical sectors such as industrials. ACWI ex-U.S. was in line with the U.S. (+0%) in the month, which finished flat as its mega-cap tech leadership faded.

## Portfolio Activity

Portfolio activity is reported at quarter-end.

## Strategy and Outlook

Recent months have highlighted a dynamic tension across global equity markets. On one side, optimism persists that AI will likely drive a visible transformation in corporate profitability and potentially accelerate the global, and particularly the U.S., economy. On the other, there is growing scepticism that these high expectations will be fully realised in the near term. November provided early indications of this shift, as investors rotated out of some of the more cyclical AI-exposed sectors and into more traditionally defensive areas. However, despite the month's muted performance, the MSCI ACWI ex-U.S. Index trades just below 15x forward earnings, over 10% higher than its 20-year average of 13.1x—a valuation that rests on the assumption of robust, double-digit earnings growth and further margin expansion from already elevated levels.<sup>2</sup>

After months of a risk-off, growth-tilted cyclical rally, investor sentiment toward companies heavily exposed to AI began to shift in November as concerns about an AI bubble and an overheating market gained traction. Valuations have climbed rapidly on optimism

<sup>1</sup> Source: Morgan Stanley Investment Management. Data as of 30 November 2025.

<sup>2</sup> Source: MSIM, FactSet, as of 30 November 2025.

around AI chips and infrastructure, but the month saw investors begin to question the sustainability of that momentum. Stretched valuations, slowing returns from AI deployments, and tighter capital flows all contributed to a pullback, with companies carrying significant AI-related investments or business lines experiencing heightened volatility as risk appetite faded. Whether these moves reflect a broader reassessment of the macro environment, a challenge to the AI-driven growth narrative or simply profit-taking after strong performance remains unclear.

However, today's market differs from previous episodes in several respects. Leverage is concentrated in private markets and corporate balance sheets rather than in banks or households, while much of the "advanced AI" capital expenditure cycle has to date been funded by internally generated cash flows, although debt financing is now increasing. As the market gradually recalibrates its expectations—whether due to slower mega-cap earnings growth, regulatory developments or capital constraints—valuation compression in market leaders may be offset by expanding multiples elsewhere. This environment has historically favoured quality stocks, which have tended to outperform as fundamentals reassert themselves.

In summary, while the last decade was characterised by ultra-low interest rates, passive investment flows and growth-driven narratives, we believe the coming period will likely reward disciplined capital allocation and renewed focus on quality. As the cycle matures, we believe portfolios built around companies with resilient earnings and strong brands are well positioned as fundamentals regain importance. In a high-valuation, uncertain environment, we remain focused on companies that offer credible earnings per share growth driven by strong revenue expansion—a more reliable source of long-term compounding than assumed margin improvement. Our portfolio is set to deliver topline growth over a third higher than that of the index at only a modest free cash flow premium to the MSCI ACWI ex-U.S. Index.<sup>2</sup> While the adjustment may be gradual, history indicates that such periods offer compelling opportunities for active managers and investors with a focus on quality.

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

## Fund Facts

Launch date	18 November 2014
Base currency	U.S. dollars
Benchmark	Blended- Blended 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	11.18	3.84	17.27	-13.52	4.11	11.54	20.31	-14.24	25.03	-2.51	0.41
Blended Index	28.53	5.53	17.65	-14.45	11.26	7.82	22.01	-13.79	25.03	1.00	-0.81
MSCI AC World ex-US Net Index	28.53	5.53	15.62	-16.00	7.82	10.65	21.51	-14.20	27.19	4.50	-5.66
MSCI EAFE Index	27.40	3.82	18.24	-14.45	11.26	7.82	22.01	-13.79	25.03	1.00	-0.81

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](http://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.
- 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](http://www.morganstanleyinvestmentfunds.com). All data as of 30.11.2025 and subject to change daily.

<sup>2</sup> Source: MSIM, FactSet, as of 30 November 2025.

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

### INDEX INFORMATION

The **Blended Index** performance shown is calculated using the MSCI EAFE Index from inception through 29 September 2023 and then the MSCI All Country World Ex-U.S. Index thereafter.

The **MSCI All Country World Ex-U.S. Index** is a free float-adjusted market capitalization weighted index designed to measure the equity market performance of developed and emerging markets, excluding the U.S. 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 **MSCI EAFE Index (Europe, Australia, Far East)** is a free float-adjusted market capitalization index that is designed to measure the international equity market performance of developed markets, excluding the US & Canada. 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 EAFE Index currently consists of 21 developed market country indices. The performance of the Index is listed in U.S. dollars and assumes reinvestment of net dividends.

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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A blended benchmark has been used because there has been a change in benchmark during the reporting period shown.

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