A Sub-Fund of Morgan Stanley Investment Funds

International Resilience Fund

INTERNATIONAL 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 April 2025, the Fund's Z shares returned 3.07% (net of fees)[1], while the benchmark returned 3.61%.

The portfolio is behind the index year-to-date, returning +7.00% versus +9.03% for MSCI All Country World (ACWI) ex-U.S. Index.

The largest contributor to absolute performance was **L'Oréal** (+79 basis points [bps]), which returned an impressive +19% in U.S. dollars (USD) on the back of better-than-expected first quarter 2025 results, with organic growth bolstered by strong demand in Europe and a modestly improving China market. The company also affirmed its strong position in the face of U.S. tariffs, which it expects to be able to manage by virtue of its local production facilities and healthy gross margins. Other key contributors in the month were **SAP** (+58 bps), following healthy first quarter results backed by impressive cloud revenue growth (+26% in the quarter) and sharply improving margins;[2] and **Constellation Software** (+36 bps), where strong defensive attributes and a history of disciplined capital deployment supported the stock's rally after a brief sell-off early in the month.

The largest absolute detractors were **Aon** (-29 bps), after first quarter results fell modestly short of expectations; **Thermo Fisher** (-28 bps), which was down double digits as management cut full-year guidance, citing negative tariff impacts and changes to U.S. federal spending; and **Hexagon** (-27 bps), after reporting weaker-than-expected first quarter performance resulting in the company issuing a profit warning.

Looking at relative performance in the month, stock selection benefited from strength in information technology, consumer staples and communication services, though these gains were partially offset by weakness in financials and health care. Sector allocation, meanwhile, was helped by the zero-weight to energy, but the gain was partially mitigated by a combination of smaller allocation effects.

Market Review

Despite falling close to 11% following the "Liberation Day" tariff announcement, the market's rally following the announced 90-day pause on "non-reciprocal" tariffs outside of China meant the MSCI ACWI ex-U.S. Index managed to return +3.6% in USD, helped by a weakening dollar, while finishing flat in local currency terms. The traditionally defensive utilities (+9%) finished as the top-performing sector in the month, boosted by increased electricity consumption from artificial intelligence and data centres, and stands as the top performer year-to-date, up an impressive 19%. Consumer staples (+8%) and real estate (+7%) were also strong in the month, and all other sectors apart from energy (-6%), which was significantly impacted by falling oil prices, finished positive in the month. Turning to geographies, there was little variation among major European markets, with Germany (+8% USD, +2% local) finishing as a top performer thanks to strength following its announced fiscal stimulus measures. The one outlier in MSCI ACWI ex-U.S. was China (-4% USD, -5% local), which finished the month in negative territory due to tariff-induced fears and the resulting trade war between the U.S. and China.

Strategy and Outlook

The MSCI EAFE Index remains well ahead of the S&P 500 Index so far in 2025, once again outperforming in April, despite being the target of tariffs rather than the supposed beneficiary. This has caused speculation that the era of U.S. exceptionalism has come to an end. It has been a spectacular run for the U.S., growing earnings by 113% in the 10 years up to the end of 2024 as against a mere 30% for EAFE, with this earnings delta helping to drive a 34% rerating for the S&P versus EAFE's 2% derating.[3] Looking at the drivers of the earnings differentiation, the U.S. has had the combined benefits of faster economic growth, backed by faster population growth and a large fiscal stimulus; a boost from the slashing of corporate tax rates in 2017 along with a corporate-friendly environment; the strengthening dollar; and, of course, the profit engines of the Magnificent Seven.

Looking forward, many of these drivers of U.S. earnings outperformance may come under pressure or reverse. U.S. population growth is likely to slow, given tighter immigration control, which will reduce gross domestic product (GDP) growth and potentially increase labour costs, hitting corporate margins. The massive 7% budget deficit at a time of near full employment suggests that fiscal stimulus may need to be replaced by tightening, potentially slowing the economy and severely limiting the room for further reductions in corporate tax rates. If the deficit is not reduced, there may be debt concerns that hit the dollar, reversing the tailwind from its strength. In addition, the GenAI (generative artificial intelligence) revolution that has helped the U.S. market may hit the

[1] Source: Morgan Stanley Investment Management Limited. Data as of 30 April 2025.
[2] Source: SAP first quarter earnings call.
[3] Source: FactSet. Data as of 30 April 2025.

"Trough of Disillusionment". Finally, the "Liberation Day" tariff announcement has damaged the U.S. reputation for corporate-friendly governance and the subsequent adjustments to the announcement — the most significant of which was the 90-day pause — have heightened uncertainty surrounding the path of U.S. policy from here.

EAFE also still has a significant valuation advantage over the U.S., even after its outperformance year-to-date, trading at around 14x forward earnings (as at 30 April) as against the 20x of the U.S. market.[3] Both multiples are flattered by the assumed double-digit earnings growth over 2025-27 — earnings growth that we think looked a stretch even before April's announcement.[3]

However, we must remember that uncertainty remains, given the threat of "non-reciprocal" tariffs on the European Union and others remains suspended only for 90 days. Some analysts have suggested that the GDP impact to EAFE will be lower than that in the U.S. and that there will be less inflationary impacts on the targets of the tariffs than the country levying them; but how this plays out is yet to be seen. Given that, there may well be benefits to favouring higher quality within EAFE, as our portfolio does. In troubled times, hiding in quality as well as outside the U.S. could well make sense.

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	7.00	3.84	17.27	-13.52	4.11	11.54	20.31	-14.24	25.03	-2.51	0.41
Blended Index	9.03	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	9.03	5.53	15.62	-16.00	7.82	10.65	21.51	-14.20	27.19	4.50	-5.66
MSCI EAFE Index	11.76	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 units. 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.
- 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 30.04.2025 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.

3 Source: FactSet. Data as of 30 April 2025.

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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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.

The **Standard & Poor's 500® Index (S&P 500®)** measures the performance of the large cap segment of the U.S. equities market, covering approximately 80% of the U.S. equities market. The Index includes 500 leading companies in leading industries of the U.S. economy.

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