A Sub-Fund of Morgan Stanley Investment Funds

NextGen Emerging Markets 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 31 October 2025, the Fund's Z shares returned 3.66% (net of fees)[1], while the benchmark returned 3.18%.

The portfolio benefited from positioning in Argentina through the allocation to Grupo Galicia. Argentinean equities rallied following investor enthusiasm around President Javier Milei's midterm election victory at the end of October. The election results marked a turning point in Argentina's macro stability, with inflation down significantly, successful fiscal consolidation and growth expected to accelerate for 2025. With the recent foreign exchange (FX) adjustment to a managed float and an International Monetary Fund (IMF) program adding support to Argentina's reserves, Milei's stronger mandate post-election could help set the stage for investment flows and lending to resume in the economy.

Stock selection in Vietnam added to returns, through the allocations to Binh Minh Plastics, Phu Nhuan Jewelry and Mobile World Investment. The announced upcoming FTSE upgrade of Vietnam from frontier status to secondary emerging market continued to fuel investor optimism and bring foreign net purchases into the market.

Stock selections in Kazakhstan and Pakistan contributed, led by the allocations to Kazatomprom and Halyk Bank in Kazakhstan and Meezan Bank in Pakistan. We remain positive on Pakistan on the back of stabilizing macro indicators. Kazatomprom's third quarter 2025 operations and trading update recorded production volumes up 10% year-over-year and up 12% for the first nine months of 2025 while sales volumes were up 33% in the quarter and 10% year-to-date, according to company data. The company also raised its full-year revenue guidance significantly and boosted its uranium product sales forecast.

Positioning in Egypt and the zero allocation to Iceland also added to returns. Within Egypt, the allocations to COMI and Fawry contributed. Egypt's sovereign credit rating was upgraded during the month, reflecting positive economic reforms, particularly the liberalization of the FX rate, fiscal consolidation and support from the IMF.

Detractors from returns included stock selections in Peru and the Philippines and the underweight to and stock selection in Romania (through our allocation to Romgaz). Within Peru, the allocations to select mining companies, including Southern Copper and Buenaventura, detracted as materials, including copper and gold, ended the month largely flat. Copper spot prices fell mid-month following tariff volatility and softer demand from China, while gold saw a correction toward month-end following its strong run-up year-to-date.

The underweight allocation to Colombia also hampered returns. Philippine equities continued to underperform on currency weakness and muted investor sentiment, and our allocations to Century Pacific Foods, International Container Terminal Services and BDO Unibank detracted. Oman and Bahrain were the best performing frontier emerging markets in October, and the zero allocations to these markets detracted from relative returns.

Portfolio Activity

We initiated a position in Romgaz. Historically, Romania has held a big twin deficit (fiscal and current account), but the new government is now moving to address this issue, which we view as an incremental positive. Additionally, Romania continues to see support from European Union funds, which should further help with growth. To fund this trade, we exited the position in Cimory in Indonesia. We are cautious of the incremental developments in Indonesia, including recent leadership changes across key ministries (notably, the replacement of finance minister Sri Mulyani Indrawati), combined with the uncertainty from the potential Danantara spending.

We initiated a position in Grupo Cibest in Colombia, based on the improving political picture in the country. Further, we believe that monetary easing could stimulate the equity market as real interest rates still stand at +4%. To fund this trade, we exited the positions in Guaranty Trust Holding and Jumia Technologies, as we believe much of the upside in Nigeria has been realized after it has devalued the currency and made significant FX/monetary reforms.

We initiated a position in Metropolitan Bank & Trust in the Philippines. Philippine equities have reached historically low valuations, and we believe that financial conditions in the country are beginning to ease, supported by recent central bank policy developments, including an expected rate cut in December. The company has a strong balance sheet and is well positioned in a declining interest rate environment, particularly given its elevated share of treasury assets.

[1] Source: Morgan Stanley Investment Management. Data as of 31 October 2025.

We added to our position in Buenaventura. The breadth of the commodity rally this year has been narrow—with a focus on precious metals—and while we remain constructive on precious metals, we see support for a broader rally into base metals (e.g., copper). In addition, we believe there is further upside given the improving macro environment in Peru, where the political situation has eased incrementally given new President Jose Jeri's approval rating of 45%. Elsewhere, we added to our existing position in Grupo Galicia in Argentina.

We significantly reduced the allocation to MercadoLibre given the rising competitive environment. The company has already stated it will have to increase operating expenditure spending on free shipping and that overall spending will likely increase. While the company may maintain its market share, the stock could face headwinds for some time. Elsewhere, we exited the positions in Grid Dynamics and EPAM.

Strategy and Outlook

With heightened volatility in the U.S. and globally, we continue to believe that many frontier and small emerging markets (EM) can remain resilient and provide exposure to areas that we believe are set for accelerating gross domestic product (GDP) growth, driven by recently adopted reforms and robust domestic demand. We believe that our integrated top-down and bottom-up analysis remains critical to identify the most attractive macro and stock investments across frontier and small EMs.

We remain overweight Kazakhstan, where we continue to see drivers for strong growth. Kazakhstan has successfully attracted investment from many countries due to its strategically important geography and commodity industries. These investment flows have come from countries that are rivals to each other, as Kazakhstan has managed to balance relations with China, Russia and Western countries. Structurally, Kazakhstan is benefiting from strong population growth, increased oil production, de-dollarization (supporting gold prices) and increased logistics/trade in the region. Considering the country's sensitivity to commodity prices, we are closely monitoring fluctuations in these markets due to the implications on the FX rate and overall macroeconomic conditions. We are also tracking the country's accelerating inflation, which appears supported by strong domestic demand, increased food prices, FX weakness and a fiscal deficit. However, we believe growth can be resilient despite risks to more hawkish monetary policy given the economy's structural drivers and robust domestic demand.

The market remains largely overlooked despite the country's mid-high single-digit GDP growth, relatively stable government, favorable geography and well-endowed natural resources. Our exposure in Kazakhstan includes what we consider to be well-managed financials as well as the world's largest and lowest-cost uranium producer. The appreciation in uranium prices this year has been driven by more favorable government policies toward nuclear energy around the world and tighter power markets underpinned by rising artificial intelligence (AI) data center demand. Longer term, we expect nuclear energy to take on a larger role in the energy transition as it is a dependable, carbon-conscious source of baseload power.

We are overweight Bangladesh, where we see potential in the country's reform story and rapid underlying growth. The country has seen promising policy changes to the FX rate and has committed to judicial, law enforcement, anti-corruption and banking reforms. Real GDP growth is expected to stay strong, with the IMF expecting medium-term growth of 5.5%-7.5% per year. Progress is being made on the monetary policy side, where the central bank has recently achieved a restrictive real interest rate after several rate hikes and inflation has started to decelerate. We believe that Bangladesh may eventually benefit from financial conditions easing as inflation cools. Although we remain optimistic, Bangladesh has previously seen political and social turmoil, so we are monitoring potential execution risks to reform and commitment to the ongoing IMF program, as there is still progress to be made on the FX liberalization front. However, we see risks skewed to the upside given the market's already negative sentiment and low foreign interest in the country. We believe the country offers strong expected growth, macro cyclical upside potential and possible reform, and within the market, we are invested in a bank that can offer sensitivity to the reform story as well as a leading health care company.

We are constructive on Egypt. As conflicts in the Middle East appear closer to resolution, we believe the Egyptian economy is well positioned for improved external balances, growth and financial conditions. Following major devaluations and volatility in the FX market, Egypt's central bank vigilantly brought interest rates to restrictive levels to cool inflation. Currently the real policy rate in Egypt stands at roughly 10% and, combined with improved buffers and a stabilized FX spot rate, Egypt has attracted a high volume of carry-related flows. These policies have yielded results; after peaking at 38% year-over-year, Egypt's consumer price index (CPI) rate has declined significantly to the low-teens. We expect policy rates to loosen further, stimulating the economy and loan growth. On the external side, balance of payment data appears to be improving with increased remittances, tourism and non-oil exports. We are closely monitoring key risks, which include geopolitics, commodity prices and major pivots in domestic policy. Notwithstanding recent outperformance, we think that the market will likely continue to price equities higher as yields decline on central bank policy, and as such we are positioned in key financials in the country.

While the Philippines appears strong across many macro indicators (e.g., consensus expects 5% to 6% real GDP growth until 2027, with CPI under 3%),[2] the country is facing several thematic and political issues. For example, the Philippines, alongside India, appears to be one of the most vulnerable countries to AI given its large call center industry, with an estimated 1.8 million people working in the business process outsourcing industry (comprising approximately 8% of the country's GDP).[3] Politics continue to be tense between President Ferdinand Marcos and Vice President Sara Duterte following Vice President Duterte's impeachment in February and her father's (a former president) arrest. Since then, approval for the current president appears more tenuous than in 2024. Recently, International Criminal Court judges rejected the former president's appeal for release and officials in key positions have resigned (e.g., House speaker Romualdez). Despite this volatility, we are vigilantly monitoring upside risks given the country's

2 Source: Bloomberg consensus estimates, as of 30 September 2025.
3 Source: IT & Business Process Association of the Philippines, as of 16 January 2025.

otherwise sound macroeconomic outlook. The equity market already has seen a significant derating, currently trading at 8.9x earnings, close to 20-year lows, prompting us to continually re-evaluate the position.[4] Within the Philippines, we currently are invested in leading financials, staples and transportation companies.

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

Fund Facts

Launch date	16 October 2000
Base currency	Euro
Benchmark	MSCI Frontier Emerging Markets Net 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	4.80	18.81	5.22	-33.04	34.42	-5.54	24.35	-14.83	15.73	11.42	6.40
Blended Benchmark	20.79	13.36	8.05	-23.06	26.97	-14.60	17.64	-11.81	9.40	23.53	-10.93

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.
- 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. Due to the nature of the markets in which the fund invests, there might be circumstances where the safekeeping and custody arrangements of the fund are not as secure as those of more 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 31.10.2025 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.

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[4] Source: Bloomberg L.P., as of 31 October 2025.

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 **Blended Index** performance shown is calculated using the **MSCI EM Europe, Middle East Gross Index** from inception through 31 December 2000, the **MSCI EM Europe Middle East Net Index** through 16 April 2008, the **MSCI Emerging Europe, Middle East and Africa Net Index** through 15 May 2022 and the **MSCI Frontier Emerging Markets Net Index** thereafter.

The **MSCI EM Europe, Middle East Index** captures large and mid-cap representation across 8 Emerging Markets (EM) countries in Europe and Middle East.

The **MSCI Emerging Markets Europe, Middle East and Africa Net Index** is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of the emerging market countries of Europe, the Middle East & Africa.

The **MSCI Frontier Emerging Markets Net Index** is a free float adjusted market capitalization index designed to serve as a benchmark covering all countries from the MSCI Frontier Markets Index and the lower size spectrum of the MSCI Emerging Markets 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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