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 December 2025, the Fund's Z shares returned 3.47% (net of fees)[1], while the benchmark returned 3.48%.

The allocation to Standard Bank in South Africa added to returns during the month, with the stock outperforming on robust earnings momentum and improving credit trends as inflation moderated. Elsewhere, the overweight to and stock selection in Kazakhstan contributed, through the overweight allocation to Halyk Bank. The company reported solid third quarter results, with strong profitability, an expanding digital ecosystem with robust user and transaction growth, and an increase in deposits and retail engagement.

Portfolio returns benefited from the underweight to and stock selection in the Philippines, namely the zero allocations to SM Investments and SM Prime and the allocation to Century Pacific, as the market underperformed the broader index. Stock selection in Egypt also added to returns through the overweight allocation to COMI. The bank outperformed on improving investor sentiment and continued progress on external funding negotiations and currency market reforms.

In Vietnam, the allocations to Mobile World Investment Corp. and Binh Minh Plastics added positively to returns; however, gains were more than offset as momentum from the FTSE index upgrade, reform narratives and strong domestic liquidity rotated toward the index heavyweights Vingroup and Vinhomes. Our zero allocation to these stocks detracted from relative performance.

The overweight allocation to Bangladesh detracted from relative returns through our allocations to BRAC Bank and Square Pharmaceuticals. BRAC Bank lagged on softer loan growth and margin pressure, while Square Pharmaceuticals underperformed amid weaker export momentum and concerns around domestic consumption trends.

Our underweight allocation to Romania detracted, as the equity market rallied on expectations of improved EU fund disbursements and fiscal consolidation measures proposed by the government. Relative returns were also impacted by the overweight allocation to Safaricom in Kenya, which weakened on increased competitive pressure in mobile money and concerns around regulatory adjustments to service fees.

Portfolio Activity

We initiated a position in electrical engineering, transportation and infrastructure company Koncar in Croatia as a play on the accelerating grid renewal and green energy transition underway across Europe. The company is poised to benefit from sustained infrastructure investment. Further, we believe the stock's valuation remains attractive given the strength of the company's long-term growth outlook.

In Vietnam, we added to our positions in Hoa Phat Group, Mobile World Investment, Techcombank and Binh Minh Plastics, given incrementally positive macro developments we see in the economy, including streamlining the public sector bureaucracy and easing foreign trading requirements. Elsewhere in Vietnam we exited the position in Military Commercial Joint Stock Bank (MB Bank) to fund higher-conviction ideas.

Within Romania, we added to our existing position in Banca Transilvania. We believe that the support of EU funds should further help growth in the country. Elsewhere, we exited TBC Bank due to elevated regulatory uncertainty in Uzbekistan, where the central bank's restrictions on the micro lending business will require the bank to undergo a strategic reset, which may lead to more volatility in 2026.

Strategy and Outlook

We continue to believe that many frontier and small emerging markets (EM) remain resilient and can provide exposure to areas that we believe are positioned 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 these markets.

In the past few years, the top performing equity markets were often characterized by a major reform story. From Argentina to Egypt, there were substantial changes to foreign exchange (FX) and monetary policies, which contributed to bouts of inflation. Now, many frontier and small EMs have been able to cut policy interest rates, stimulating the equity markets. Frontier and smaller EM

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

countries have historically been overlooked, but we believe this is changing. Several economies have emerged from periods of economic and political stress and are now entering more stable macroeconomic, political and market cycles—or at the very least have a credible path toward such stability. The asset class offers unique exposure to countries that have a convergence opportunity to larger EMs with a few of them showing increasing willingness to embark on structural reforms and fiscal discipline and our focus remains on identifying such "hidden gems".

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, particularly uranium, a key resource for powering data centers. 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 constructive on **Egypt**. We believe the Egyptian economy is well positioned for improved external balances, growth and financial conditions, which has already resulted in significant investment flows as a result. Following major devaluations and volatility in the FX market, Egypt's central bank vigilantly brought interest rates to restrictive levels to cool inflation. 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.

Argentina continues to see selective upside as the country advances through a meaningful macro stabilization phase. We believe the combination of the recent FX adjustment, International Monetary Fund (IMF)-supported reserve rebuilding and a strengthened post-election mandate has positioned the economy for a resumption of investment flows and credit expansion. Inflation has already decelerated sharply after peaking near 240% year-over-year,[2] and policymakers aim to guide the consumer price index toward the low 20% range by 2026. Fiscal accounts have improved materially, supported by expenditure restraint, tax reforms and ongoing multilateral engagement. While the peso remains under depreciation pressure and forward FX pricing is cautious, we view external balances as manageable and believe continued policy momentum could support renewed inflows. In addition, Argentina benefits from exposure to strategic commodities such as lithium and gold and has effectively leveraged partnerships with countries like the U.S. Within the portfolio, we maintain exposure to a bank and a commodity producer that we believe offer strong operating leverage to reform-led macro normalization.

While **Morocco** continues to be an underweight position, we are more constructive on long-run growth drivers for the country and have incrementally added to the market. The country is seeing an impressive transition to higher-value manufacturing activities. For example, the transportation manufacturing segment has grown 140% since 2014 and now accounts for approximately 2% of GDP.[3] In addition, the chemicals, pharmaceuticals and electronics sectors have all seen growth. The European Union has been a key investor into these high-value industries due to Morocco's proximity to the region, while China has also been investing in Morocco's automobile sector. This broad expansion of high-value labor is likely to result in future productivity gains, supporting the already solid growth of the country. Combined with FX stability, we believe Morocco's structural story warrants increasing exposure to the country, and consequently we own what we consider a high-quality basket of financials, shipping, construction and health care 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

2 Source: International Monetary Fund. Data as of 31 December 2025.
3 Source: Haver Analytics and World Bank. Data as of 31 December 2025.

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	7.63	7.63	18.81	5.22	-33.04	34.42	-5.54	24.35	-14.83	15.73	11.42
Blended Benchmark	26.02	26.02	13.36	8.05	-23.06	26.97	-14.60	17.64	-11.81	9.40	23.53

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 31.12.2025 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 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 from the Prospectus of the Fund.

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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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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.

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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