

A Sub-Fund of Morgan Stanley Investment Funds
US Core Equity Fund

APPLIED EQUITY ADVISORS TEAM

Performance Review

In the three month period ending 31 December 2025, the Fund's I shares returned 1.84% (net of fees)¹, while the benchmark returned 2.66%.

As a core portfolio, US Core attempts to tilt toward the style of stock exposure (growth, value, defensive) that offers the best opportunity within the context of a typically 30- to 35-stock portfolio. With a limited number of stocks, good stock selection is paramount. The team employs rigorous fundamental analysis seeking many company-specific attributes such as strong earnings revisions, top stock price momentum and high share buybacks. As pertains to portfolio construction, diversification² among positions is a critical component of risk control.

Following are the most significant performance drivers relative to the S&P 500 Index benchmark for the fourth quarter of 2025:

1. Stock Selection:
 - a. Alphabet was up +29% in the quarter, adding +1.36%.
 - b. Eli Lilly was up +41% in the quarter, adding +0.53%.
 - c. Netflix was down -22% in the quarter, detracting -1.04%.
 - d. Microsoft was down -6% in the quarter, detracting -0.77%.
2. Style Exposures:
 - a. An overweight to long-term momentum stocks added +0.54%.
3. Sector Exposures:
 - a. An underweight to health care cost -0.66%.

Past performance is no guarantee of future results. The attribution is presented gross of fees. Had these fees and expenses been deducted, returns would be lower. See the next page for performance.

Strategy and Outlook

After three stellar years of returns in U.S. equities, we concede the bull market has entered the later stages. Yet, we believe there is more room to go in 2026 for four main reasons:

1. Historical precedent

Since 1950, not all bull markets lasted four years, but if they did, the fourth year was consistently a positive year.³

2. Monetary policy is accommodative

Equities historically since 1950 have done well when the Federal Reserve (Fed) was cutting interest rates.⁴

3. Fiscal policy stimulus is coming

The One Big Beautiful Bill Act may generate an estimated \$170 billion of consumer aid in 2026.⁵

4. Consumer sentiment is cautious

Historically since 1952, returns for equities have been quite healthy when there was no ebullience in spending.⁶

However, 2026 is a midterm election year, and historically, there typically has been a sizable correction in those years.⁷

As we counselled into the April 2025 downdraft, we would likely be buyers into any meaningful weakness.

As for artificial intelligence (AI), the obsession over whether an AI bubble exists is keeping valuations compressed, a good thing!

In our view, the AI rollout remains in the early stages. Ultimately the productivity boost to the "other 493" could allow the S&P 500 Equal Weight Index to eventually catch up to the cap-weighted S&P 500 Index.

So, what's the risk to our relatively healthy outlook for 2026?

One of the more famous Wall Street adages reminds us:

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

² Diversification neither assures a profit nor guarantees against loss in a declining market.

³ Source: Bloomberg L.P. Based on S&P 500 Index performance from inception of the index in 1950 to December 2025.

⁴ Source: Bloomberg L.P. Based on S&P 500 Index performance from 1950 to November 2025.

⁵ Source: Strategas.

⁶ Source: Strategas. Based on University of Michigan Index of Consumer Sentiment and S&P 500 Index average 12-month forward returns from 1952 to 2024.

⁷ Source: Bloomberg L.P. Based on S&P 500 Index performance from 1950.

"Bull markets don't die of old age; they get killed by the Fed."

While not all bear markets are caused by a Fed turning more restrictive, most of them have been.⁸

With the current path of the Fed seemingly dovish, this appears unlikely. But to be clear, a more hawkish Fed pivot would upend our 2026 optimism.

How our portfolio is positioned:

1. We continue to like a balance between growth and value stocks.

Past performance is no guarantee of future results. The market returns referred to in the commentary are those of representative indices and are not meant to depict the performance of a specific investment.

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

Fund Facts

Launch date	05 July 2016
Base currency	U.S. dollars
Benchmark	S&P 500 Total Return Index

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 I Shares	15.38	15.38	28.91	19.26	-20.30	36.80	23.37	35.49	-12.18	19.68	--
S&P 500 Total Return Index	17.88	17.88	25.02	26.29	-18.11	28.71	18.40	31.49	-4.38	21.83	--

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 I 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.

- 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. 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 from the Prospectus of the Fund.

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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⁸ Source: Bloomberg L.P. Of the last 11 bear markets (declines of -20% or worse in the S&P 500 Index), 6 were caused by inflation surging, causing the Fed to pivot.

aware that a diversified strategy does not protect against a loss in a particular market.

All investments involve risks, including the possible loss of principal. The material contained herein has not been based on a consideration of any individual client circumstances and is not investment advice, nor should it be construed in any way as tax, accounting, legal or regulatory advice. To that end, investors should seek independent legal and financial advice, including advice as to tax consequences, before making any investment decision.

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.

Investment in the Fund concerns the acquisition of units or shares in a fund, and not in a given underlying asset such as building or shares of a company, as these are only the underlying assets owned.

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

INDEX INFORMATION

The **S&P 500 Total Return Index** is an index that consists of 500 stocks chosen for market size, liquidity and industry group representation. The S&P Index is a market value weighted index with each stock's weight proportionate to its market value. The

S&P Index is one of the most widely used benchmarks of U.S. equity performance. The performance of the S&P Index does not account for any management fees, incentive compensation, commissions or other expenses that would be incurred pursuing such strategy. Total return provides investors with a price-plus-gross cash dividend return. Gross cash dividends are applied on the ex-date of the dividend.

The index is unmanaged and does not include any expenses, fees or sales charges. It is not possible to invest directly in an index.

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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.

The **S&P 500® Equal Weight Index (EWI)** is the equal-weight version of the widely-used S&P 500. The index includes the same constituents as the capitalization weighted S&P 500, but each company in the S&P 500 EWI is allocated a fixed weight — or 0.2% of the index total at each quarterly rebalance.

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Reglamento 2. If neither the Fund nor the interests in the Fund have been and will not be registered in Peru under **Decreto Legislativo 862** and under **Decreto Legislativo 861 referenced above**, nor they will be subject to a public offering directed to institutional investors under the **Reglamento 1**, and will be offered to institutional investors only (as defined in article 8 of the Securities Market Law) pursuant to a private placement, according to article 5 of the Securities Market Law, the interests in the Fund will not be registered in the Securities Market Public Registry maintained by the **SMV**, and the offering of the

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