A Sub-Fund of Morgan Stanley Investment Funds

US Value Fund

EATON VANCE 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 three month period ending 31 March 2025, the Fund's Z shares returned -1.60% (net of fees)[1], while the benchmark returned 2.14%.

The Fund's underperformance for the quarter was primarily driven by security selection, though sector allocation also detracted from relative returns.

The primary contributor to the Fund's relative performance was security selection in financials. Security selection in consumer discretionary (partially offset by sector allocation) and a combination of sector allocation and security selection in utilities also contributed to performance.

- An overweight to financials sector constituent Interactive Brokers Group, Inc. was the top contributor during the quarter. Account growth and commission revenues increased given continued international interest in securities markets on the company's fully automated global platform. Despite higher expenses due to increased trading volumes, the company saw commissions rise faster than execution costs. We exited the position during the quarter after it reached our estimation of its intrinsic value.
- An overweight to consumer staples sector constituent BJ's Wholesale Club Holdings, Inc. contributed to returns during the quarter. The company had a solid fourth quarter in 2024 with healthy customer traffic trends. Additionally, store growth has accelerated in both existing and adjacent markets and early results are positive. The company has further benefited from market share gains given inflation seen at competing grocery stores. With a solid club-store model, we believe the stock continues to have upside to intrinsic value.
- An overweight to financials sector constituent American International Group, Inc. contributed to returns during the quarter. The company hosted its first-ever Investor Day, spotlighting the transformation in the business over the last seven years. At the event, the company showcased significant margin improvements, reduced value at risk alongside continued growth in its top line, and reduced volatility related to catastrophic events. Executive leadership has also seen 100% turnover in the last seven years, establishing a more disciplined bench. The company has started to employ generative artificial intelligence (AI) to lessen its underwriting cycle and has plans to do this on the claims side of the business as well. We believe this, combined with its excellent balance sheet, focus on expenses, and increasing buybacks, should aid the company in realising its true intrinsic value.
- An overweight to health care sector constituent AbbVie, Inc. contributed to returns during the quarter. The company beat and raised revenue guidance for 2025. The company's two most recent immunology drugs, Skyrizi and Rinvoq, have offset the decline in sales of Humira, the company's blockbuster autoimmune drug that has been off-patent since 2023. With a strong commercial engine and new product launches delivering growth, we believe AbbVie is well positioned.
- Lastly, an overweight to industrials sector constituent 3M Company contributed to returns during the quarter. The company has seen an acceleration of organic growth, new product vitality increases, and a better-than-expected outlook for 2025. 3M's new CEO, Bill Brown, has had a smooth transition into the company, setting multiyear targets that have helped strengthen its messaging and margin story. We believe growth is a top priority for the company. With more rigour in its research and development process and operations, as well as a focus on on-time delivery, we think 3M will likely remain a strong global franchise and close the gap to its intrinsic value.

Security selection in communication services, materials, and consumer staples detracted from the Fund's relative returns for the quarter.

- An overweight to information technology sector constituent ON Semiconductor Corporation was the primary detractor. The company's two main segments are autos and industrials; while autos were up sequentially, the industrials market remains weak. The company continues to execute well and maintain its share, but both its primary end markets have been facing headwinds. However, as the rate of decline in industrials continues to ease, we believe this could help to drive positive inflection for one of ON's primary businesses.
- An overweight to industrials sector constituent Robert Half Inc. detracted from returns for the quarter. The company missed its earnings and revenue targets. As the company's end markets are nearly through their bottoming cycle, we believe the reward-to-risk profile is attractive and the stock maintains solid potential to reach its intrinsic value.
- An overweight to materials sector constituent FMC Corporation detracted from returns. While we saw improvement in channel inventory recovery in the fourth quarter of 2024, the company had limited on-the-ground presence in Brazil and lacked clarity around continued challenges in this complex. Overall, FMC's inability to appropriately gauge and communicate challenges led us to exit the position.

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

- A lack of exposure to Russell 1000 Value Index heavyweight Berkshire Hathaway Inc. detracted from returns, primarily due to the continued strength of the Barra "size" factor.[2]
- Lastly, an overweight to communication services sector constituent Alphabet Inc. detracted from returns. While the company's advertising revenues increased and total operating expenses decreased in the fourth quarter of 2024, the stock sold off in line with much of the Magnificent Seven in the opening months of 2025. For Alphabet specifically, there are concerns that the growing use of AI chatbots could challenge the dominance of search engines. However, Alphabet is swiftly working to transform its business in this regard as well, moving from ads to subscription-supported sales of its AI-based tools. We believe Alphabet is likely to successfully continue to invest in AI capabilities to maintain and grow its competitive edge.

Market Review

- During the first quarter of 2025, the U.S. market continued to broaden, with value stocks (as represented by the Russell 1000 Value Index) outperforming growth stocks (as represented by the Russell 1000 Growth Index) by 12.11%.
- For the first quarter, sector performance was positive across Russell 1000 Value Index sectors, except for information technology (-5.74%), consumer discretionary (-4.49%), and industrials (-2.86%). The best-performing sectors were energy (9.46%), communication services (6.96%), and health care (6.38%).

Strategy and Outlook

In our last quarterly outlook, we noted the general euphoria in the market following the U.S. election. We said we believed a bit more cautiousness was warranted, given the market's two calendar years of strong absolute returns and the many unknowns heading into 2025. In anticipation of this, heading into the year, we positioned our portfolios for a more balanced approach — decreasing cyclical risk, with a continued focus on our bias toward quality businesses.

Indeed, 2025 has thus far been marked by more uncertainty and volatility than consensus expected. Such turmoil should not be terribly surprising, after 70 democratic countries (more than half the world's population) went to the election polls in 2024. New administrations often lead to disruptive change. Still, perhaps the biggest surprise has been that of the market's perceived safe-haven/AI darlings, the Magnificent Seven, with six of the seven stocks trading meaningfully lower from where they finished 2024. Late last spring, we discussed our expectation for the market to broaden given how concentrated returns had been, and from June 30, 2024, to March 31, 2025, value stocks outperformed growth stocks by 10.1 percentage points (with value carrying 8.6% less risk than growth over the time period).[3]

We continue to stick with our call from spring 2021 that persistent inflation should be expected and the market was incorrectly pricing the risk. Due to a generational shift, we believe drivers of persistent inflation — including a tighter labour market, the commodity cycle, and geopolitical volatility — will remain. Thus, interest rates will likely be higher for longer. We believe that makes current times more like the periods of the 1940s and 1970s, where inflation was also high for most of the decade, and value consistently outperformed growth. While we are not ready to declare the AI trend dead, we believe the case for a balanced style allocation is stronger than ever.

In this environment of volatility, it is very easy to get stuck in the day-to-day noise. While we are aware no company is fully immune to policy changes, we believe sticking to our long-term investment process, i.e., focusing on durable, all-weather business models with a compelling reward-to-risk profile and the potential to perform over the longer term, is of paramount importance.

Owning an index in an environment where there may be more differentiated winners and losers may not be as beneficial or provide as much downside protection as thorough fundamental analysis and bottom-up security selection. Our *Opportunistic Value* investment philosophy focuses on quality, leading companies that are mispriced and trading at a discount to their intrinsic value.

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

Fund Facts

Launch date	29 August 2002
Base currency	U.S. dollars
Benchmark	Russell 1000 Value Index

[2] The Barra Risk Factor Analysis is a multi-factor risk model developed by MSCI that incorporates over 40 data metrics to measure the overall risk of a security relative to the market, focusing on factors such as yield, earnings growth, size, volatility and liquidity.
[3] Source: FactSet, FTSE Russell. Value stocks are represented by the Russell 1000 Value Index and growth stocks by the Russell 1000 Growth 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	-1.60	12.04	8.94	-4.40	22.06	1.58	--	--	--	--	--
Russell 1000 Value Index	2.14	14.37	11.46	-7.54	25.16	2.80	--	--	--	--	--

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.
- There are additional risks associated with investing in real estate.
- 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.
- 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 31.03.2025 and subject to change daily.

Applications for shares in the 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.

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The **Russell 1000® Growth Index** measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000® Index companies with higher price-to-book ratios and higher forecasted growth values. The Russell 1000® Index is an index of approximately 1,000 of the largest U.S. companies based on a combination of market capitalization and current index membership.

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