Morgan Stanley

INVESTMENT MANAGEMENT

Marketing Communication

Morgan Stanley Investment Funds - Global Opportunity Fund January 31, 2026

Portfolio Changes

In recent months, the Global Opportunity Fund added new ideas in luxury goods, autonomous vehicles (AVs) and semiconductors and eliminated several positions based on risk/reward. As of January 31, 2026, the Fund's top 10 included the new position SK Hynix. As a result of these changes, the portfolio has a higher weight in information technology (22.5%) and communication services (18.2%), and our allocation to Asia has increased to 26.2%.

Our allocation to Asia increased following the initiation of new ideas in the memory and autonomous vehicles (AVs) sectors.

Memory is no longer a commoditized input to AI systems; it is a critical driver of training efficiency, inference throughput, and overall system economics. As AI models grow in complexity and scale, high-bandwidth memory (HBM) has become a key bottleneck in AI compute performance.

HBM is significantly more resource-intensive than conventional DRAM, requiring around three times more die space and commanding roughly five times the price, driving higher margins while absorbing a growing share of industry capacity. This is reducing supply for regular DRAM and creating a structural, accelerating undersupply. HBM production is also technologically complex, capacity-constrained, and subject to long qualification cycles, resulting in high barriers to entry and limited near-term supply.

The rapid expansion of AI servers is further tightening DRAM markets, while memory, rather than GPUs, is increasingly the key lever for expanding LLM context windows. Unlike prior memory cycles driven by temporary demand recoveries, the current imbalance is structural and more durable, underpinned by sustained AI capex, industry consolidation, and stronger pricing power.

Newly added top ten position:

- **SK Hynix** is a leading memory semiconductor manufacturer specializing in Dynamic Random Access Memory (DRAM) and NAND, especially in high-bandwidth memory (HBM) for AI. The company offers differentiated exposure to the AI build-out through its leadership in HBM, a critical bottleneck as rising AI model complexity drives rapid growth in memory content per accelerator. We believe strong AI server demand is structurally tightening supply across both HBM and conventional memory, supporting higher average selling prices and a more durable memory cycle.

Another particularly compelling theme is autonomous vehicles (AVs), which have the potential to be highly disruptive to traditional human driving. Chinese AV players benefit from significantly lower bill-of-materials costs, around 80-60% lower than Waymo and managed to achieve positive unit economics by 2025 (Source: Pony.AI, WeRide). They are beginning to scale through asset-light expansion models, both domestically and internationally. AVs also offer materially improved safety, for example, Waymo has reported over 80% fewer crashes compared with human drivers. Over the long term, robotaxis benefit from structurally lower operating costs, as labor accounts for the majority of ride-hailing fares, while improved energy efficiency and 24/7 operability enhance availability and convenience. AVs further improve privacy and safety, particularly for solo and late-night riders.

While autonomous vehicles represent a huge (an estimated ~$4.5 trillion by 2025e[1]) total addressable market, valuations remain highly disparate. Baidu trades at an approximately ~$45 billion market capitalization, with nearly half represented by net cash and investments, while Pony.ai ($5 billion) and WeRide ($2.7billion) are valued at only low single-digit billions. This stands in sharp contrast to Waymo, which reportedly raised capital at a valuation exceeding ~$120 billion, and Tesla, which trades at around ~$1.6 trillion (as of 31 Jan 2026).

[1] Pony.AI prospectus https://ea-cdn.eurolandir.com/press-releases-attachments/3938517/HKEX-EPS_20251028_11891712_0.PDF

As a reminder, the team seeks companies characterized by competitive advantages and long-term growth while incorporating sustainability with respect to disruptive change, ESG and financial strength. Our price discipline emphasizes owning company shares at substantial discounts to estimated intrinsic value. Industry and sector weights are a residual of the stock selection process. We believe fundamentals of our portfolio remain strong. Our portfolio is now trading at an attractive absolute valuation level of 6.6% free cash flow yield, and our companies are expected to grow revenues 14.1% compounded annually over the next three years, versus that of the benchmark at 7.6%.[2]

Top Ten Holdings (% of Total Net Assets)[3]:

Meta Platforms Inc Class A	7.68
Taiwan Semiconductor Manufacturing Co., Ltd.	7.23
Uber Technologies, Inc.	5.66
ASML Holding NV	5.60
MercadoLibre, Inc.	4.84
DoorDash, Inc. Class A	4.53
DSV A/S	4.02
Spotify Technology SA	3.91
SK Hynix Inc.	3.25
Schneider Electric SE	3.12

IMPORTANT INFORMATION

Risk Considerations

- 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.
- Investments in China involves a risk of a total loss due to factors such as government action or inaction, market volatility and reliance on primary trading partners.
- 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.

This is a marketing communication.

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[2] Based on 2027 consensus estimates. Source: FactSet, Morgan Stanley Investment Management. Data as of 31 January 2026.
[3] Top Ten Holdings data as of January 31, 2026. Source MSIM.

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