A Sub-Fund of Morgan Stanley Investment Funds

Calvert Global Equity Fund

Calvert

Performance Review

In the three month period ending 31 December 2024, the Fund's Z shares returned -2.12% (net of fees)[1], while the benchmark returned -0.99%.

The main detractors from the Fund's performance relative to the benchmark were stock selection within the technology and consumer staples sectors, an overweight allocation to European equity, and an underweight to U.S. equity.

- An underweight to Tesla was the largest individual stock detractor over the quarter. The company reported stronger third quarter earnings supported by better-than-expected vehicle deliveries. Tesla shares were also boosted considerably by positive political sentiment following the U.S. election.
- Nestle, the Swiss consumer staples company, detracted from the Fund's performance. The company reported weaker-than-expected revenues for the third quarter and year-to-date due to softening consumer demand across regions, leading it to lower full-year earnings guidance.
- AIA, the Hong Kong-based life insurance company, hampered performance as it traded in sympathy with the broader Hong Kong and Chinese markets, despite reporting higher new business growth in the third quarter.
- IMCD, the Dutch industrial company that distributes, markets and sells specialty chemicals and ingredients around the world, detracted due to poor sentiment toward the European economy. The company also issued equity to fund future acquisitions.
- Novo Nordisk, the Danish global health care company, detracted from performance over the quarter due to news that the clinical results for its latest weight loss drug in development fell short of consensus expectations.

Positive contributions to performance came from the Fund's overall sector allocations, particularly having no exposure to the materials, real estate, and energy sectors. Stock selection within the communication services, industrials, and health care sectors also contributed.

- Visa, the U.S.-based financial services company, was the top stock contributor to performance. The company reported strong financial results driven by payments and cross-border volume growth. Visa also announced the potential for it to use artificial intelligence (AI) to enhance fraud solutions.
- Amazon, the U.S. technology and consumer discretionary company, contributed as it benefited from strong earnings backed by an acceleration in demand for Amazon Web Services. Amazon also announced the launch of its new generative AI model Nova, which includes video and image generation, and updates on the availability of its AI computing chips, Trainium.
- Alphabet (Google) was supportive of performance after it reported strength in advertising services for Google Search and YouTube and growth in Google Cloud in strong third quarter results. The launch of AI overviews in Search are seen as key growth drivers, as the company has faced increased competition and regulatory scrutiny.
- Walt Disney contributed to the Fund's performance for the quarter. The company's strong quarter was supported by its entertainment and experiences businesses. Disney has also seen continued strength in its direct-to-consumer offerings.
- Taiwan Semiconductor Manufacturing Company (TSMC) continues to benefit from AI demand tailwinds as it has built capacity for its more advanced technologies to support future AI growth.

Market Review

Global equity markets had another good year in 2024, boosted by strong returns from U.S. equity that resulted in a significant performance gap with non-U.S.-equity markets. During the fourth quarter, global equity markets modestly retraced some of their gains earlier in the year. The U.S. equity market was positive and volatile following November's U.S. election, and the Federal Reserve (Fed) delivered two 0.25% rate cuts at its November and December meetings. European equity markets were weak over the quarter as they suffered headwinds from President-elect Trump's potential trade policies and a surge in fund flows from Europe to the U.S. With a weaker economic outlook, the European Central Bank remained focused on interest rate cuts to support growth in the economy, delivering two cuts during the quarter. Japanese equities were positive in local terms but fell as the U.S. dollar strengthened over the quarter. Emerging markets were also negative for the quarter, as they were affected by the strengthening dollar and trade policy ramifications.

Portfolio Activity

During the quarter we initiated a new position in Charles Schwab, a U.S. financial services company. We also eliminated our position in Dollar Tree, a U.S.-based discount variety store.

[1] Source: Morgan Stanley Investment Management Limited. Data as of 31 December 2024.

Strategy and Outlook

We are optimistic on the outlook for global equities in 2025 but caution that the strong performance of equities since October 2023 means they are likely vulnerable to any disappointment. A combination of lower interest rates, inflation, and recovering leading indicators should allow corporate profitability to recover and provide a supportive backdrop for equities. With strong multiple (valuation) expansion in 2024, index returns will increasingly have to be driven by earnings growth. We expect earnings momentum to improve later in 2025.

As the U.S. moves to new leadership in January, we believe geopolitical news flow will once again dominate the headlines and the ripple effects will be felt throughout global equity markets. The new Trump administration's potential policies, such as tariffs and immigration crackdowns, are so far being interpreted as broadly inflationary. On top of this, robust U.S. employment data and a recent uptick in inflation suggest that further Fed rate cuts are no longer guaranteed. Indeed, the 10-year U.S. Treasury yield has increased over 80 basis points since the Fed started cutting last September.[2] Therefore, monetary policy may not provide the tailwind to U.S. equities in 2025 that many had hoped for last summer. We note that 10-year real interest rates are now at the highest level of the last 20 years.[2] Outside the U.S., an end to the Russia-Ukraine war appears to be more likely under Trump. This could help investment confidence in Europe, which has suffered since the conflict began in early 2022.

Since the U.S. election in November, we have seen a huge level of investor exuberance building toward U.S. equities. Several studies we follow show expectations for the U.S. equity market at 30+ year highs.[2] When aligned with valuation, which is also feeling excessive in parts of the U.S. market, we are increasingly worried that the market is becoming dislocated from the underlying fundamentals. This has driven our preference for European over U.S. equity in the Fund, with valuations and investor expectations more attractive in Europe. Our European holdings are typically global leaders with large exposure to the U.S. economy, but are much more attractively valued.

China has been a drag on global growth for some time, and we have seen the negative impact on important trading partners like Germany and Japan. In both consumer and industrial sectors, the weakness in China was a drag on earnings in 2024. Recently we have noted increasing signs that the Chinese government will take steps to try and stimulate growth and credit expansion in 2025, which will likely be supportive for international equities.

Many European economies remain weak, giving the European Central Bank greater flexibility to cut interest rates relative to the U.S., where many of President-elect Trump's economic plans are viewed as inflationary. Conversely, German elections and a government change could allow increased fiscal spending and help fuel some positive sentiment in what has been a very weak economy. Therefore, despite economic challenges, we see economic policy as likely supportive for European equities in 2025.

Moving to Japan, the outlook for the economy and equity market continues to be favorable. It is likely to be a tariff winner, with the U.S. versus Europe and China. Japan's outsized export exposure to China remains a risk in the short term. The policies that both the government and Tokyo Stock Exchange have been implementing should continue to improve corporate governance and balance sheet efficiency. The result should be ongoing positive momentum for returns on capital in Japan. Japanese households have 55% of assets in cash and just 12% in equities.[3] The government's reforms within the savings regime, i.e., the introduction of a tax-free stock investment program for individuals, are showing signs of success in encouraging Japanese households to re-engage with equities and diversify their assets from cash and bonds.

Whatever the outlook for the global economy and equities in 2025, we can be sure that events will play out somewhat differently to how we all expect. One phrase we often cite at this time of year, and which captures our approach to investing, is "invest in preparedness and not in prediction."

We strive to build a balanced portfolio of sustainable businesses that will succeed irrespective of the outlook. For Calvert Global Equity Fund, our philosophy, framework and approach to bottom-up stock picking, with a focus on sustainable business models, remains unchanged.

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

Fund Facts

Launch date	28 November 2023
Base currency	U.S. dollars
Benchmark	MSCI AC World Net Index

[2] Source: Bloomberg L.P. Data as of 31 December 2024.
[3] Source: Barclays. Data as of 31 December 2024.

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	10.00	10.00	--	--	--	--	--	--	--	--	--
MSCI AC World Net Index	17.49	17.49	--	--	--	--	--	--	--	--	--

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.
- There may be an insufficient number of buyers or sellers which may affect the Fund's ability to buy or sell securities.
- There are increased risks of investing in emerging markets as political, legal and operational systems may be less developed than in developed markets.
- Sustainability factors can pose risks to investments, for example: impact asset values, increased operational costs.
- 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 31.12.2024 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.

Information in relation to sustainability aspects of the Fund is available in English online at: Sustainable Finance Disclosure Regulation.

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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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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INDEX INFORMATION

The **MSCI AC World Net Index (MSCI ACWI)** is a free float-adjusted market capitalization weighted index designed to measure the equity market performance of developed and emerging markets. The term "free float" represents the portion of shares outstanding that are deemed to be available for purchase in the public equity markets by investors. The performance of the Index is listed in U.S. dollars and assumes reinvestment of net dividends.

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