A Sub-Fund of Morgan Stanley Investment Funds

Calvert Sustainable Developed Markets Equity Select Fund

Calvert

Performance Review

In the three month period ending 31 December 2024, the Fund's Z shares returned -1.46% (net of fees)[1], while the benchmark returned -0.16%.

The Fund is designed to offer long-term shareholder return through exposure to companies that are leaders in the environmental, social and governance (ESG) landscape, or improvers in addressing environmental and social challenges and managing material ESG risks. Calvert believes that companies that demonstrate leadership and/or improvement in the management of financially material ESG risks and opportunities offer long-term value creation for shareholders. The investment approach identifies ESG leaders and improvers using a proprietary quantitative and qualitative analysis to construct a portfolio that manages active risk relative to the market benchmark, the MSCI World Index. The portfolio also aims to maintain a carbon footprint 50% lower than the benchmark and higher levels of board gender diversity compared to the benchmark.

During the quarter, the Fund's performance relative to the benchmark was hurt by stock selection in consumer discretionary, particularly automobiles and broadline retail. Stock selection in information technology, specifically semiconductors, also detracted from performance. Further, stock selection in financials dragged on the Fund's returns. Conversely, stock selection in entertainment and in health care providers and services were additive to returns, as was not holding any names in the beverages industry.

In consumer discretionary, not holding Tesla and Amazon hurt the Fund's relative returns. Tesla's stock performance dramatically improved over the course of 2024 and did particularly well after strong third quarter results and the election of President Trump, given Elon Musk's role in the new administration. Tesla is not held in the portfolio because it does not meet the portfolio's criteria for ESG leadership or improvement. Not holding Amazon also hurt returns, as the company had a strong quarter on continued artificial intelligence (AI) related gains and the ongoing strength of its web services and advertising businesses. Amazon is not held in the Fund because it does not meet its criteria for ESG improvement or leadership.

Stock selection in information technology, specifically semiconductors, further detracted from the Fund's performance. The semiconductors industry suffered from skepticism around longer-term growth and profit, which hurt the returns of most names, including Fund holdings Applied Materials and Advanced Micro Devices. Nvidia and Broadcom managed to buck this trend, posting positive returns. The portfolio benefited from its allocation to Nvidia, but not holding Broadcom dragged down performance. Broadcom is not held in the portfolio because it does not meet the Fund's requirements.

In information technology more broadly, owning Seagate Technology hurt portfolio returns after the company's stock fell due to poor market reception of its first quarter 2025 results, despite meeting expectations. Strong performance by Twilio and ServiceNow helped to buffer some of the losses from the broader sector during the quarter. Twilio is a leader in data privacy and security, a major risk for the peer group, and ServiceNow is an overall leader with strong human capital management and environmental targets.

In financials, Intercontinental Exchange (ICE), a leader in human capital management practices, and Macquarie Group drove down performance. ICE reported revenues lower than analyst expectations, while Macquarie's profits for the first six months of its fiscal 2025 fell short of consensus estimates and marked a decline from the previous year. As a result, the company cut its dividend and extended its share buyback program for another year. Also in financials, not holding names like Goldman Sachs, JPMorgan Chase and Bank of America hurt Fund performance, as these banks exceeded profit expectations in third quarter returns. These specific banks are not held in the portfolio as they do not meet the portfolio's criteria for ESG leadership or improvement.

On a positive note, in entertainment, Fund overweights to Netflix and The Walt Disney Company boosted returns. Netflix outperformed analyst estimates, largely driven by its subscriber numbers and continued market dominance. Disney's theatrical film division and streaming fueled growth in its fourth quarter, which ended 30 September. Both companies are also leaders in human capital management.

In health care, not holding names like UnitedHealth Group and Elevance Health boosted performance. UnitedHealth Group's stock suffered after the shooting of one of its executives in Midtown Manhattan in December, which ignited fears about negative consumer sentiment toward the company. UnitedHealth Group does not meet the portfolio's criteria for ESG leadership or improvement. Elevance Health (formerly Anthem, Inc.) shares dropped after it reported a high medical loss ratio associated with Medicaid rates. Elevance does not meet the portfolio's criteria due to ongoing liabilities associated with the opioid epidemic and other business ethics issues. The benefits from not holding these two names were offset at the broader health care sector level by overweight positions in Novartis and Novo Nordisk, which were both down over the quarter. Novartis shares dropped after the company announced an impairment charge on an acquisition and lower-than-expected sales of its radiopharmaceutical, Pluvicto. Meanwhile, Novo Nordisk shares suffered after it released a study indicating disappointing results from a new obesity drug.

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

Not holding companies in the beverages industry, such as Davide Campari-Milano and Pernod Ricard SA, boosted Fund returns as the entire sector performed poorly over the quarter. This is in part due to anti-dumping measures China placed on European brandy imports following Europe's vote to approve tariffs on Chinese-made electric vehicles.

From a country perspective, stock selection in the United States was the biggest drag on the Fund's relative performance. Not holding Tesla, Amazon and Broadcom hurt returns. Meanwhile stock selection in Europe, Middle East and Africa, particularly in Germany, was additive to performance, largely driven by strong performance from SAP SE. Japan-based companies also boosted returns, as the Japanese stock market finished 2024 with its highest-ever year-end close.

Market Review

For U.S. equity investors, the fourth quarter of 2024 marked the culmination of another banner year. The broad-market S&P 500 Index returned more than 20% annually for the second year in a row, and U.S. equities outpaced stocks in most other areas of the world.

But though investors' appetite for risk remained substantial in the fourth quarter — as indicated by the strong performance of bitcoin and the tech-heavy Nasdaq Composite Index — it was also the weakest quarter of the year for the S&P 500. While worldwide excitement about the transformative potential of AI applications remained the major tailwind for the market, stocks were buffeted by two signal events during the quarter: the U.S. presidential election on 5 November, and the year's final U.S. Federal Reserve (Fed) meeting on 17-18 December.

As the quarter opened in October, fresh economic data continued to support an ongoing equity rally. On 4 October, the U.S. Bureau of Labor Statistics delivered a blockbuster September jobs report, announcing employers had added 254,000 jobs during the month, blowing past consensus expectations of a 140,000-job gain.

Barely a week later, the Bureau of Labor Statistics announced that inflation in September, as measured by the consumer price index, had fallen to 2.4% year-over-year — the same rate it had been just before the pandemic. In mid-October, Nvidia, a bellwether stock of the AI rally, announced that its new Blackwell chip was in full production and demand was "insane."

But markets hate uncertainty, and as October came to a close, politics began to weigh on stocks. In the final days of the month, equity prices sank on uncertainty about the upcoming U.S. presidential election and how changes in White House policies might affect financial markets. For the month as a whole, most major U.S. and non-U.S. equity indexes finished in negative territory.

Once election results were known, however, equities enjoyed a post-election bump that lasted through mid-December, buoyed by the prospect of deregulation and lower corporate taxes under a new Trump administration — and brushing aside many economists' concerns that Donald Trump's proposed higher tariffs and mass deportations could reignite inflation.

But on 18 December, the Fed brought the nascent rally to a halt. Although the central bank delivered an expected quarter-point interest rate cut at its December meeting, it surprised investors by reducing its projected 2025 rate cuts to two, down from a four-cut forecast just a few months earlier. After inflation rose modestly in October and November, Fed Chair Jerome Powell noted that "For additional cuts, we're going to be looking for further progress on inflation." In response, stock prices largely declined in the final weeks of the quarter, although most U.S. indexes still delivered positive performance for December as a whole, perhaps encouraged by Chair Powell's message that "The U.S. economy is just performing very, very well — substantially better than our global peer group. The outlook is pretty bright for our economy."

Outside the U.S., however, the outlook was not so bright. Amid political turmoil in Europe's three largest economies — Germany, the United Kingdom, and France — both the MSCI EAFE Index of developed-market nations and the MSCI Europe Index posted negative performance during each month of the fourth quarter and returned -8.11% and -9.74%, respectively, for the quarter as a whole. Once the chief economic engine of Europe, the German economy struggled to overcome high energy prices, competition from China, and the perception that it had fallen behind on industrial innovation.

Portfolio Activity

There was no significant portfolio activity to report during the period.

Strategy and Outlook

As we look ahead with a focus on major factors that are shaping a multidecade transformation of the global economic system relevant to responsible long-term investors, four areas have the potential for the greatest impact from a risk and opportunity perspective: i) Changes to the global energy system — both in terms of the existing fossil fuel system and the development of a distributed, lower-carbon system — are accelerating and revealing challenges for companies globally; ii) Demographic changes, including educational attainment, continue to impact the workforce, as well as the ultimate size of consumer markets globally, with the vast majority of companies yet to fully adapt to these massive changes; iii) Higher costs, including interest rates, wages and raw materials, present unique challenges to every industry and will likely result in greater differentiation between companies that are able to manage their cost structure and improve productivity and those that are less efficient or trapped in a high fixed operating cost model; iv) Finally, various forms of pricing of externalities — either by governments or through market action — are taking effect and will likely act to raise costs and influence corporate and consumer behavior.

With this future state in mind, leadership on issues of sustainability across industries requires a company to evolve its product strategy, refine its corporate strategy and continually strengthen its ability to provide effective oversight and execution of the sustainable transition before us.

MS INVF Calvert Sustainable Developed Markets Equity Select strategy is built on our belief that companies addressing the sustainability challenges presented by this multidecade transformation are better positioned to deliver shareholder return and positive societal outcomes. The Fund seeks to invest in companies that are leaders and improvers at managing this future business state, either through their operations and corporate strategy, or through the products and services that they offer.

Using ESG performance on financially material issues as the primary criteria for stock selection, the Fund uses a combined quantitative and qualitative approach to identify and invest in the best-performing companies in the Calvert Research System from an ESG standpoint. The portfolio is then optimized to manage risk, lower the overall greenhouse gas emissions of the portfolio and increase the board level diversity of the portfolio against the benchmark. The result is an actively managed portfolio of global developed market stocks designed to provide risk-controlled returns in excess of the MSCI World Index, with exceptional performance on environmental and social issues.

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

Fund Facts

Launch date	08 April 2022
Base currency	U.S. dollars
Benchmark	MSCI World Index Net Index (USD)

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	14.71	14.71	22.91	--	--	--	--	--	--	--	--
MSCI World Index Net Index (USD)	18.67	18.67	23.79	--	--	--	--	--	--	--	--

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 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 funds ability to buy or sell securities.
- 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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INDEX INFORMATION

The **MSCI World Net Index** is a free float adjusted market capitalization weighted index that is designed to measure the global equity market performance of developed 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 index is unmanaged and does not include any expenses, fees or sales charges. It is not possible to directly invest 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 **Nasdaq Composite Index** is a stock market index of the common stocks and similar securities listed on the NASDAQ stock market. It is used as an indicator of the performance of stocks of technology companies and growth companies. Since both U.S. and non-U.S. companies are listed on the NASDAQ stock market, the index is not exclusively a U.S. index.

The **MSCI EAFE Index (Europe, Australia, Far East)** is a free float-adjusted market capitalization index that is designed to measure the international equity market performance of developed markets, excluding the US & Canada. 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 MSCI EAFE Index currently consists of 21 developed market country indices. The performance of the Index is listed in U.S. dollars and assumes reinvestment of net dividends.

The **MSCI Europe Index** is a free float-adjusted market capitalization index that is designed to measure developed market equity performance in Europe. 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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