

Morgan Stanley

INVESTMENT MANAGEMENT

Morgan Stanley Investment Funds (MS INV)

Eurozone Equity Alpha Fund



A Concentrated, High-Conviction Eurozone Equity Portfolio, Which Aims to Provide Stable and Consistent Alpha

We believe that to deliver long-term outperformance, holdings should be different to those of the benchmark.

We focus on making long-term investment decisions based on the attractiveness of individual companies and, as a result, only invest in the stocks for which we maintain the highest conviction. The MS INVF Eurozone Equity Alpha Fund is a concentrated portfolio, characterised by an active, fundamental and bottom-up approach to stock selection. We seek to identify quality companies from across the 19 European Union member states that have adopted the euro as their legal tender.

A Bottom-Up Approach to Selecting Quality

Our process is grounded upon disciplined, fundamental analysis to identify, what we define as, quality companies. We define quality companies as those that typically exhibit features such as:

- Strong and stable cash flow generation
- High returns on investment
- Visibility and predictability of earnings
- A solid balance sheet and management by a team with a proven track record.

We focus on identifying long-term investment opportunities and utilise primary financial analysis, including meetings with management, such that we understand the key drivers of a company's financial statement and to identify the catalysts that can unlock a company's value. Our diligent analysis helps to identify investment ideas that exhibit an attractive individual risk reward profile, which are carefully combined to create a highly concentrated portfolio. Despite the concentrated nature of our portfolios, risk is well-diversified and our portfolios are characterised by low and stable tracking errors.

Benchmark Differentiation

We believe that in order to achieve performance that differs from the benchmark, portfolio construction must differ from the benchmark itself. Studies have suggested that adequate portfolio diversification may be achieved with only 30-40 holdings.¹ We adopt a high-conviction approach to investing and our portfolio is highly differentiated from the benchmark. In an effort to capture alpha, we limit the holdings of the fund to approximately 30-50 names, without either diluting this excessively or taking unnecessary risk.

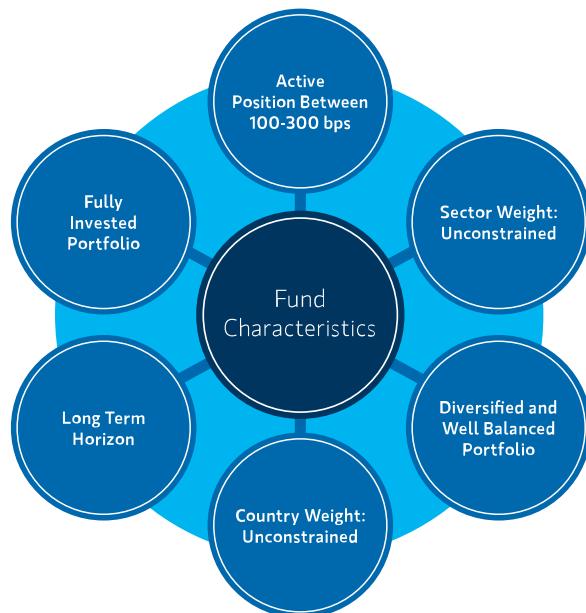
The Right Time for Eurozone Equity

We believe that the equity markets within continental Europe present attractive opportunities to patient investors. Looking past the volatility created by sovereign debt markets and geopolitical tumult, the region is home to many of the world's leading companies. Equity valuations remain attractive, despite the presence of certain identifiable risks that may hinder the recovery of continental Europe to economic health. Our patient and disciplined investment process strives to identify those stocks that exhibit the fundamental strength to perform over the long term, irrespective of short-term market conditions.

A Stable, Experienced Team

The European Equity Team at Morgan Stanley Investment Management is an experienced and long-tenured group of investors, with a strong team dynamic established over 11 years of working together. Our deep understanding of local nuances within the continental European markets, and fluency in several European languages, enhance our approach to bottom-up security analysis. The European Equity Team is part of the wider Morgan Stanley network, which provides access to a broad array of investment resources.

The Eurozone Equity Alpha Fund offers investors a number of desirable portfolio characteristics



¹ Societe Generale Cross Asset Research, "Mind Matters: The Dangers of Diversification and Evils of the Relative Performance Derby," Strategy Research, 7 April 2009.

This represents how the portfolio management team generally implements its investment process under normal market conditions and is being provided for informational purposes only.

Morningstar Overall Rating***CLASS I SHARES**

EAA Fund Eurozone Large-Cap Equity

Out of 1032 Funds. Based on Risk Adjusted Return.

Ratings as of 31/12/2019.

Investment Team**INVESTMENT EXPERIENCE**

Matthew Leeman, Head of European Equity Team	27 years
Riccardo Bindi, Executive Director	27 years
Jonathan Day, Executive Director	24 years
Jaymeen Patel, Executive Director	18 years

Team members may be subject to change at any time without notice.

Differentiators**1. Attractive Risk/Return Profile**

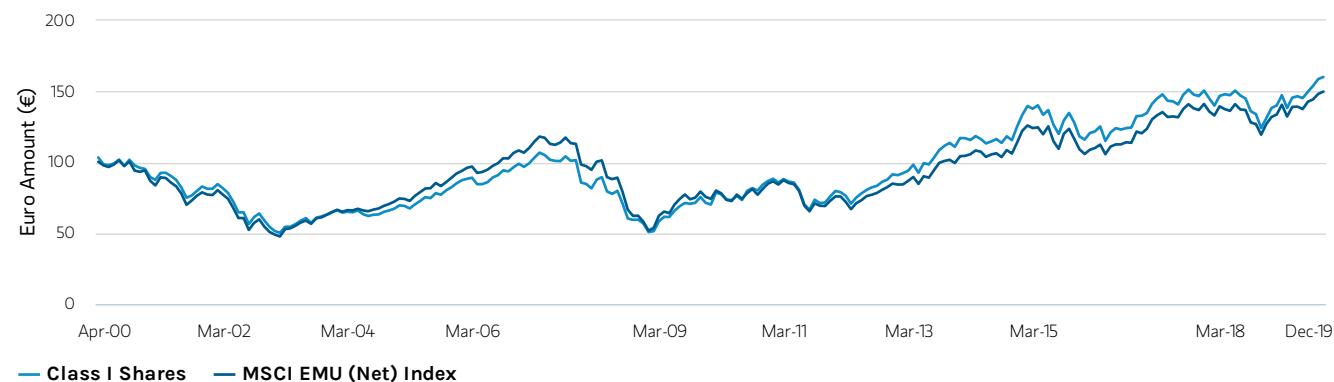
The concentrated Eurozone Equity Alpha portfolio is highly differentiated from the benchmark, exhibiting historically lower volatility than the index.

2. Outperformance Across Market Cycles

Our approach to investment allows greater flexibility to take advantage of opportunities, thereby offering potentially superior returns throughout different market conditions.

3. High-Conviction Portfolio

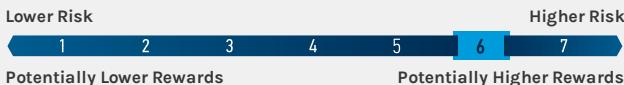
We believe that our portfolio has the potential to deliver longterm outperformance, with greater alpha per position due to our highconviction approach.

MS INVF Eurozone Equity Alpha Fund**Class I (% net of fees) Performance of 100 EUR Invested Since Inception (05 April 2000)****12 Month Performance Periods to Latest Month End (%)**

	DECEMBER '18 - DECEMBER '19	DECEMBER '17 - DECEMBER '18	DECEMBER '16 - DECEMBER '17	DECEMBER '15 - DECEMBER '16	DECEMBER '14 - DECEMBER '15
Class I Shares	28.99	-15.34	10.63	3.59	10.73
MSCI EMU (Net) Index	2547	-12.71	1249	4.37	9.81

Past performance is not a reliable indicator of future results. Returns may increase or decrease as a result of currency fluctuations. 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 units. The sources for all performance and Index data is Morgan Stanley Investment Management. All data as of 31 December 2019 and subject to change daily. Please visit our website www.morganstanley.com/im to see the latest performance returns for the fund's other share classes.

The Blended Index performance shown is calculated using the MSCI Europe (Net) Index from inception through 31 October 2006, the MSCI Europe (Net) Hedged Index to 31 May 2007 and the MSCI EMU (Net) Index thereafter.

Share Class I Risk and Reward Profile

The risk and reward category shown is based on historic data.

- Historic figures are only a guide and may not be a reliable indicator of what may happen in the future.
- As such this category may change in the future.
- The higher the category, the greater the potential reward, but also the greater the risk of losing the investment. Category 1 does not indicate a risk free investment.
- The fund is in this category because it invests in company shares and the fund's simulated and/or realised return has experienced high rises and falls historically.
- The fund may be impacted by movements in the exchange rates between the fund's currency and the currencies of the fund's investments.

This rating does not take into account other risk factors which should be

considered before investing, these include:

- 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.
- 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.

DEFINITIONS

Gross domestic product (GDP) is the monetary value of all the finished goods and services produced within a country's borders in a specific time period. **Volatility** is a statistical measure of the dispersion of returns for a given security or market index.

INDEX INFORMATION

The **MSCI Europe (Net) 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.

The **MSCI EMU (European Economic and Monetary Union) Net Index** is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of countries within EMU.

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Applications for shares in the Fund should not be made without first consulting the current Prospectus, Key Investor Information Document ("KIID"), Annual Report and Semi-Annual Report ("Offering Documents"), or other documents available in your local jurisdiction which is available free of charge from the Registered Office: European Bank and Business Centre, 6B route de Trèves, L-2633 Senningerberg, R.C.S. Luxembourg B 29 192. In addition, all Italian investors should refer to the 'Extended Application Form', and all Hong Kong investors should refer to the 'Additional Information for Hong Kong Investors' section, outlined within the Prospectus. Copies of the Prospectus, KIID, the Articles of Incorporation and the annual and semi-annual reports, in German, and further information can be obtained free of charge from the representative in Switzerland. The representative in Switzerland is Carnegie Fund Services S.A., 11, rue du Général-Dufour, 1204 Geneva. The paying agent in Switzerland is Banque Cantonale de Genève, 17, quai de l'Île, 1204 Geneva. The document has been prepared solely for informational purposes and does not constitute an offer or a recommendation to buy or sell any particular security or to adopt any specific investment strategy.

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