A Sub-Fund of Morgan Stanley Funds (UK)

# Global Brands Fund

INTERNATIONAL EQUITY TEAM

## Performance Review

In the one month period ending 30 November 2025, the Fund's I ACC shares returned -1.74% (net of fees)[1], while the benchmark returned -0.56%.

The portfolio has returned -5.41% for the year-to-date, while the MSCI World Index has delivered +13.54%.

In an environment of high valuations and uncertainty, our strategy focuses on companies capable of sustained earnings per share (EPS) growth. We believe our portfolio is set to deliver resilient topline growth well above that of the index and is available at a significant free cash flow discount to the market, to an extent not seen for over a decade.

**Alphabet** (+60 basis points [bps]) was the largest **absolute contributor**, outperforming amidst broader information technology sector volatility. The company reported record earnings and a cloud-driven EPS uplift, which was further complemented by positive updates relating to its vertical integration strategy. Another top contributor in the month was **Intercontinental Exchange** (+20 bps), which benefited from rising artificial intelligence (AI)-driven demand for proprietary data and positive investor sentiment towards recent acquisitions. In addition, November saw defensive stocks in consumer staples and health care amongst the top contributors. Within consumer staples, **Coca-Cola** (+21 bps) performed well as third quarter organic growth beat consensus expectations and management reaffirmed full-year guidance, while investors positively received **Haleon's** (+14 bps) reports on cost-takeout potential through supply-chain, manufacturing and productivity improvement efforts. In health care, **Steris** (+22 bps) benefited from positive earnings momentum, supported by robust demand as well as operational efficiencies and a favourable product mix, in addition to reaffirming guidance.

Turning to the largest **absolute detractors**, both **SAP** (-60 bps) and **RELX** (-46 bps) continued to suffer from negative investor sentiment driven by AI disruption fears, which we believe are overstated. SAP was also impacted by third quarter results, which indicated slower-than-expected cloud growth, margin pressure and a continued drag on profits from the transition to cloud-based revenues in the near term. Additionally, SAP, alongside **Microsoft** (-54 bps), was caught in a broad sell-off across high-multiple technology names as investors took profits. **Zoetis** (-32 bps) saw muted performance following third quarter results which indicated slowing organic growth in part due to increasing competition, plus a decline in vet clinic visits in the U.S. Our conviction in the structural growth of the animal health category, as well as the strength of Zoetis's product offering, remains. **Uber** (-23 bps) underperformed despite strong bookings growth and free cash flow momentum as investors were disappointed by the cautious outlook on margins at the quarterly results.

In terms of **relative performance,** the portfolio saw a positive sector allocation effect from being overweight health care and consumer staples, as these sectors led the market in November, as well as positive allocation effect from being underweight information technology, as we saw a broad-based sell-off within the sector during the month. While we saw a positive contribution within communication services from owning Alphabet, health care and industrials both had negative stock selection. Health care was affected by the lack of exposure to large-cap pharmaceuticals (up 13% in the month), while within industrials data-rich professional services names such as RELX and Experian continued to be affected by AI disruption fears, alongside much of software — fears that we believe are unfounded.

## Market Review

Global equity markets were softer in November, with the MSCI World Index returning +0.28% in U.S. dollars ([USD], +0.25% in local currency), as markets digested a combination of cooling inflation, softening macro data and a rotation away from the year's most crowded, AI-exposed names. Sector performance showed an emerging divergence between cyclicals and defensives: information technology (-5%) momentum stalled after a strong year, with profit-taking in several mega-cap, perceived AI beneficiaries and notable drawdowns in software and services (-7%) and semiconductors (-6%). Consumer discretionary (-2%) was another laggard, reflecting weaker U.S. retail sales and fading confidence indicators. By contrast, health care (+8%), consumer staples (+4%) and utilities (+2%) outperformed as the market rotated into traditionally defensive sectors. (Sector performance is shown in USD.)

Regionally, the U.S. was flat in USD (+0%), supported by resilient large-cap defensives even as technology leadership faded. Europe outperformed, up +1.5% in USD (+0.9% in local currency), bolstered by easing inflationary pressures across the euro area boosting rate-sensitive sectors such as financials, and improving macro data easing sentiment towards cyclical sectors such as industrials. Within Asia, performance was mixed with Hong Kong (+2.6% USD, +2.7% local) outperforming the index while Singapore (flat USD and local) and Japan (-0.7%, +0.6%) underperformed.

[1] Source: Morgan Stanley Investment Management. Data as of 30 November 2025.

This document constitutes a commentary and does not constitute investment advice nor a recommendation to invest. The value of investments may rise as well as fall. Independent advice should be sought before any decision to invest.

## Portfolio Activity

Portfolio activity is reported at quarter-end.

## Strategy and Outlook

Recent months have highlighted a dynamic tension within global equity markets. It is not clear if this narrative-driven market cycle will unwind gradually through rotation or through an abrupt collapse. On one side, optimism persists that AI will likely drive a visible transformation in corporate profitability and potentially accelerate the U.S. economy. On the other, there is growing scepticism that these high expectations will be fully realised in the near term. November provided early indications of this shift, as investors rotated out of some of the best-performing cyclical sectors and into more traditionally defensive areas. Despite this, the MSCI World Index continues to trade at over 20x forward earnings, with the S&P 500 Index at 22x—valuations that rest on the assumption of robust, double-digit earnings growth and further margin expansion from already elevated levels.[2] Whether the November moves signal a questioning of the AI-driven growth narrative, a reassessment of the macroeconomic backdrop, or simply profit-taking after a period of strong performance remains to be seen.

Amid these crosscurrents, the underperformance of quality equities relative to the broader market has reached levels last seen during the dot-com era. Historically, such periods have often been followed by a meaningful resurgence in quality stocks, both in absolute terms and relative to the broader market. In this environment of elevated valuations and uncertainty, our strategy remains focused on companies with the capacity for sustained earnings per share growth. We believe our portfolio is positioned to deliver resilient topline growth well ahead of that offered by the market, alongside the quality metrics such as return on operating capital employed (ROOCE), which sits at 75% for the portfolio vs. 24% for the index, or the gross margin of 59% for the portfolio vs. 33% for the index.[2] Not only does the portfolio look compelling from a quality perspective, it is also trading at a significant free cash flow discount to the market, at a level not seen in the past decade. This combination presents a compelling opportunity, particularly on a relative basis.

Today's market differs from previous episodes in several respects. Leverage is concentrated in private markets and corporate balance sheets rather than in banks or households, while much of the advanced AI capital expenditure cycle has to date been funded by internally generated cash flows, although debt financing is now increasing. As the market gradually recalibrates its expectations—whether due to slower mega-cap earnings growth, regulatory developments or capital constraints—valuation compression in market leaders may be offset by expanding multiples elsewhere. This environment has historically favoured quality stocks, which have tended to outperform as market leadership broadens from the current, highly concentrated levels and fundamentals reassert themselves.

In summary, while the last decade was characterised by ultra-low interest rates, passive investment flows and growth-driven narratives, we believe the coming period will likely reward disciplined capital allocation and a renewed focus on quality. As the current cycle matures, we believe portfolios built around companies with resilient earnings, strong brands and pricing power are well positioned to benefit from a return to fundamentals. The adjustment may be gradual, but history suggests that such environments offer attractive opportunities for active management and for investors committed to quality.

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

## Fund Facts

| | |
|---|---|
| Launch date | 03 February 2003 |
| Base currency | Sterling |
| Benchmark | MSCI World Net Index |

## 12 Month Performance Periods to Latest Month End (%)

**Past performance is not a reliable indicator of future results.**

| | NOVEMBER '24 - NOVEMBER '25 | NOVEMBER '23 - NOVEMBER '24 | NOVEMBER '22 - NOVEMBER '23 | NOVEMBER '21 - NOVEMBER '22 | NOVEMBER '20 - NOVEMBER '21 |
|---|---|---|---|---|---|
| OEIC Global Brands Fund - I ACC Shares | -6.69 | 15.04 | 6.86 | -2.64 | 19.07 |
| MSCI World Net Index | 12.23 | 27.32 | 6.29 | -0.97 | 22.89 |

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 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.**

[2] Source: MSIM, FactSet, as of 30 November 2025.

## Share Class I ACC Risk and Reward Profile

**Lower Risk** **Higher Risk**

**Potentially Lower Rewards** **Potentially Higher Rewards**

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.
- Sustainability factors can pose risks to investments, for example: impact asset values and increased operational costs.
- There may be an insufficient number of buyers or sellers which may affect the Funds ability to buy or sell securities.
- Investment in China A-Shares via Shanghai-Hong Kong Stock Connect program may also entail additional risks, such as risks linked to the ownership of shares.
- 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. All data as of 30.11.2025 and subject to change daily.

---

### IMPORTANT INFORMATION

This material 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. Investors should be aware that a diversified strategy does not protect against a loss in a particular market.

All investments involve risks, including the possible loss of principal. The material contained herein has not been based on a consideration of any individual client circumstances and is not investment advice, nor should it be construed in any way as tax, accounting, legal or regulatory advice. To that end, investors should seek independent legal and financial advice, including advice as to tax consequences, before making any investment decision.

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.

Investment in the Fund concerns the acquisition of units or shares in a fund, and not in a given underlying asset such as building or shares of a company, as these are only the underlying assets owned.

Morgan Stanley Investment Management 'MSIM', the asset management division of Morgan Stanley (NYSE: MS), has not authorised financial intermediaries to use and to distribute this material, unless such use and distribution is made in accordance with applicable law and regulation. MSIM shall not be liable for, and accepts no liability for, the use or misuse of this material by any such financial intermediary.

The whole or any part of this material may not be directly or indirectly reproduced, copied, modified, used to create a derivative work, performed, displayed, published, posted, licensed, framed, distributed or transmitted or any of its contents disclosed to third parties without the Firm's express written consent. This material may not be linked to unless such hyperlink is for personal and non-commercial use. All information contained herein is proprietary and is protected under copyright and other applicable law.

This material may be translated into other languages. Where such a translation is made, this English version remains definitive; any discrepancies with another language, the English version prevails.

This material has been prepared on the basis of publicly available information, internally developed data and other third-party sources believed to be reliable. However, no assurances are provided regarding the reliability of such information and MSIM, the Firm has not sought to independently verify information taken from public and third-party sources.

Forecasts and/or estimates provided herein are subject to change and may not actually come to pass. Information regarding expected market returns and market outlooks is based on the research, analysis and opinions of the authors or the investment team. These conclusions are speculative in nature, may not come to pass and are not intended to predict the future performance of any specific strategy or product the Firm offers. Future results may differ significantly depending on factors such as changes in securities or financial markets or general economic conditions.

Charts and graphs provided herein are for illustrative purposes only and subject to change.

### 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 performance of the Index is listed in U.S. dollars and assumes reinvestment of net dividends.

The index is unmanaged and does not include any expenses, fees or sales charges. It is not possible to invest directly in an index.

Any index referred to herein is the intellectual property (including registered trademarks) of the applicable licensor. Any product based on an index is in no way sponsored, endorsed, sold or promoted by the applicable licensor and it shall not have any liability with respect thereto. The Sub-Fund is actively managed, and the management of the fund is not constrained by the composition of the Benchmark.

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.

**DISTRIBUTION**

**In the UK this material is issued by MSIM Ltd is authorized and regulated by the Financial Conduct Authority. Registered in England. Registered No. 1981121. Registered office: 25 Cabot Square, Canary Wharf, London E14 4QA.**

**This material is only intended for and will be only distributed to persons resident in jurisdictions where such distribution or availability would not be contrary to local laws or regulations. It is the responsibility of any person in possession of this material and any persons wishing to make an application for shares in pursuant to the Prospectus to inform themselves and observe all applicable laws and regulations of any relevant jurisdictions.**

**MSIM and its affiliates have arrangements in place to market each other's products and services. Each MSIM affiliate is regulated as appropriate in the jurisdiction it operates. MSIM's affiliates are: Eaton Vance Advisers International Ltd, Calvert Research and Management, Eaton Vance Management, Parametric Portfolio Associates LLC, Atlanta Capital Management LLC and Parametric SAS.**

The Fund(s) mentioned herein are not authorized for distribution in the United States 'U.S.' and may not be purchased by U.S. persons and entities other than in accordance with the laws of the U.S.

© 2025 Morgan Stanley. All rights reserved.