

Morgan Stanley Investment Funds Global Opportunity Fund

COUNTERPOINT GLOBAL TEAM | QUARTERLY COMMENTARY | 30 SEPTEMBER 2021

Important information

- The Fund primarily invests in high quality growing companies on a global basis.
- Investment involves risks. Key risks for this fund include Risk of Investment in Equity, Exchange Rate Risk, Emerging Market Risk, Derivatives Risk and Risk of Exposure to the Euro and Eurozone.
- There is a risk that you may potentially lose your entire investment in this Fund.
- The investment decision is yours but you should not invest unless the intermediary who sells it to you has advised you that it is suitable for you and has explained why, including how buying it would be consistent with your investment objectives. You should not make any investment decision solely based on this document. Please read the relevant offering document carefully for further fund details including risk factors.

Performance Review

In the three month period ending 30 September 2021, the Fund's A shares returned -5.44% (net of fees)¹, while the benchmark returned -1.05%.

The long-term investment horizon and conviction-weighted approach embraced by the Global Opportunity team can result in periods of performance deviation from the benchmark and peers. Over time, this has led to the strong record we have developed over our product set. The Fund underperformed the MSCI All Country ("AC") World Index this period due to unfavourable stock selection and sector allocation.

Our team continues to focus on bottom-up stock selection and the long-term outlook for companies owned in the portfolio; accordingly, we have had limited turnover in the portfolio to date, and we continue to find new ideas for inclusion in the portfolio that meet our strict criteria for quality and long-term value creation.

Global equities declined during the period, driven by underperformance in the consumer discretionary, materials, communication services and real estate sectors. Energy, financials, information technology and health care advanced, outperforming the MSCI AC World Index.

Stock selection in consumer discretionary was the greatest overall detractor from the relative performance of the portfolio. Shares of Chinese after-school tutoring provider TAL Education Group, which is no longer owned in the portfolio, were the greatest individual detractor, as shares declined due to new regulation in China that restricts business operations and prohibits foreign beneficial ownership. As of 26 July 2021, the portfolio does not hold any U.S.-listed China education companies.

A sector overweight position also detracted. Within the sector, shares of Chinese social commerce platform Meituan, Korean e-commerce platform Coupang and online luxury marketplace Farfetch Limited also underperformed. Meituan is a leading social commerce platform for local services such as food delivery, dine-in and travel. Meituan enjoys a strong network effect by offering integrated local services on a single platform with the largest coverage of merchants and users. We believe that Meituan may continue to benefit from urbanisation and consumption growth in China.

Stock selection in industrials detracted on weakness in shares of global mobility and food delivery platform Uber Technologies. We believe that Uber is unique because of its strong network effects and scale, yet it is still in the early stages of penetrating its total addressable market. Uber's competitive advantage over other platforms that offer exclusively ride-booking or food delivery is a result of synergies, as evidenced by a higher level of engagement for consumers who use both ride-booking and food delivery products as compared to those who only use a single offering.

¹ Source: Morgan Stanley Investment Management Limited. Data as of 30 September 2021.

The Fund closed to new investors effective 31 December 2020, to preserve the ability of the investment team to manage the Fund effectively for current shareholders. For more details, please visit:
https://www.morganstanley.com/im/publication/msinvf/material/notice_msinvf_globalopportunity_en.pdf

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.

Stock selection in communication services also contributed negatively, as shares of Swedish audio streaming platform Spotify Technology SA underperformed. Headquartered in Sweden, Spotify is an innovative audio streaming platform with differentiation leadership by leveraging the unique data of 365 million monthly active users, including 165 million paying premium subscribers (Source: Company data as of 28 July 2021), and is in a strong position to expand its user base given its extensive playlists. We believe Spotify's strong growth can be supported by entering new geographies, investing in its advertising business and expanding the non-music content as well as user experience.

Stock selection and a sector overweight position in information technology contributed positively to the relative performance of the portfolio. During the period, strength in shares of cloud software platform ServiceNow, Eastern European business services firm EPAM Systems, Japanese automation and robotics company Keyence Corporation and salesforce.com offset weakness in shares of Mastercard and Zoom Video Communications. ServiceNow is a leading provider of cloud solutions that allow enterprises to define, structure, manage and automate services for their organisation. The company's differentiation focus on large enterprise customers has driven strong revenue growth and high customer retention. We believe ServiceNow may benefit from major secular trends including digital transformation and streamlining and automating unstructured workflow. Based on our industry analysis, we believe the Keyence Corporation's differentiation via customisation, constant innovation and proprietary fabless manufacturing process positions Keyence to benefit from accelerated growth in automation and artificial intelligence.

Stock selection in financials contributed positively on strength in shares of HDFC Bank, India's largest private bank by assets. HDFC Bank has an outstanding liability and deposit franchise, driven by its long operating history, strong brand, extensive branch network and focus on customer service. HDFC Bank also has the largest personal loan and credit card franchise, with strong risk management processes. We believe that HDFC Bank's cost leadership advantage, coupled with industry-leading digital capabilities, can enable it to continue taking loan and deposit market share amid public sector bank weakness.

The portfolio's sector underweight positions in materials and consumer staples contributed positively, while stock selection in health care and a sector underweight position in financials detracted from relative performance during the period.

Outlook

As a team, we continue to focus on bottom-up stock selection and the long-term outlook for companies owned in the portfolio. We assess company prospects over a three- to five-year time horizon and own a portfolio of what we believe are undervalued, high quality companies with diverse business drivers not tied to any particular market environment.

[For further information, please contact your Morgan Stanley Investment Management representative.](#)

FUND FACTS

Launch date	Base currency	Index
30 November 2010	U.S. dollars	MSCI All Country World Net Index

12 Month Performance Periods to Latest Month End (%), Presented in USD Terms

	SEPTEMBER '20 - SEPTEMBER '21	SEPTEMBER '19 - SEPTEMBER '20	SEPTEMBER '18 - SEPTEMBER '19	SEPTEMBER '17 - SEPTEMBER '18	SEPTEMBER '16 - SEPTEMBER '17
MS INVF Global Opportunity Fund - A Shares	12.37	53.01	2.27	17.79	32.50
MSCI All Country World Net Index	27.44	10.44	1.38	9.77	18.65

Investment involves risks. 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 assume the reinvestment of all dividends and income. The sources for all performance and Index data is Morgan Stanley Investment Management. **Please refer to the relevant offering documents for fund details, including risk factors.**

INDEX INFORMATION

The **MSCI All Country World Net Index (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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