

## Morgan Stanley Investment Funds

# US Advantage Fund



### Important Information

- The Fund invests primarily in equity securities of companies domiciled or exercising the predominant part of their economic activity in the US.
- Investment involves risks. Key risks for this fund include Risk of Investment in Equity, 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 one month period up until 31 March 2024, the Fund's A shares returned 1.13% (net of fees)<sup>1</sup>, while the benchmark returned 3.22%.

Counterpoint Global seeks high quality companies, which we define primarily as those with sustainable competitive advantages. We manage concentrated portfolios that are highly differentiated from the benchmark, with securities weighted on our assessment of the quality of the company and our conviction. The value added or detracted in any period of time will typically result from stock selection, given our philosophy and process.

The long-term investment horizon and conviction weighted, highly active investment approach embraced by Counterpoint Global can result in periods of performance deviation from the benchmark and peers. The portfolio underperformed the S&P 500 index this quarter primarily due to unfavorable stock selection.

### Market Review

U.S. large cap equities, as measured by S&P 500 Index, advanced over the quarter. Communication Services, Energy and Information Technology led benchmark gains, while Real Estate, Utilities and Consumer Discretionary were the relative underperformers.

Optimism around changing conditions in late 2023 dimmed as interest rate expectations rose during the first quarter. A select few mega cap companies and stock price momentum drove market results, while higher growth equities lagged. Against this backdrop, we continued to focus on company-specific fundamentals, which across portfolio holdings have largely remained healthy and in-line with our expectations. We continue to own unique companies with attractive end-game potential, strong balance sheets, and multiple competitive advantages that we believe can be long-term winners over the next three to five years. While we have opportunistically added to some positions and initiated new ones, overall, we have made few changes as we remain confident in the long-term prospects for the businesses we own.

### Portfolio Review

Quarter-to-date underperformance was driven by unfavorable stock selection in Communication Services and Information Technology, as well as an average overweight position in Consumer Discretionary.

#### *Top detractors include:*

- Cloud data platform, Snowflake
- Electric vehicle developer, Tesla
- Videogame platform, Roblox
- Pet focused e-tailer, Chewy
- Global social network, Meta Platforms, due to average underweight position

Top detractor Snowflake is a cloud data platform. Snowflake is unique due its proprietary architecture that separates storage, compute and cloud services and allows each to scale independently, providing massive scalability and flexibility to customers in storing and analyzing data. We believe the company benefits from intellectual property and brand related competitive advantages, and is well positioned as a growing number of organizations focus on leveraging their data assets in a cost-effective manner to derive better insights. The company reported overall solid quarterly results, however its shares were pressured due to investor concerns around the announcement of the CEO's departure, as well as weaker than expected near- and medium-term financial outlook.

<sup>1</sup> Source: Morgan Stanley Investment Management Limited. Data as of 31 March 2024.

Detractor Tesla is a leading designer, developer, and manufacturer of electric vehicles. We believe Tesla is unique because it has advanced technology and manufacturing techniques, which enable the company to produce electric vehicles at a lower cost than many of their competitors. We believe the company benefits from low cost and intellectual property related competitive advantages, and is well positioned to capitalize as governments across the globe require consumers to transition to electric vehicles to mitigate carbon emissions. The company reported mixed quarterly results characterized by persisting softer demand across the broader electric vehicle market.

Detractor Roblox is a video game platform primarily focused on children and serves three primary functions – acting as a browser or interface for playing games, serving as a game engine for the creation of new games, and providing the infrastructure for hosting games. The company reported overall strong fundamental results and a better-than-expected outlook; however, its shares were pressured due to broader investor concerns around high growth equities, as well as the resignation of the company's chief technology officer during the quarter.

Conversely, stock selection in Industrials, Consumer Discretionary and Financials contributed to relative performance.

**Top contributors include:**

- Food delivery company, DoorDash
- Global mobility and food delivery platform, Uber Technologies
- Web performance and security company, Cloudflare
- Global payments platform, Adyen
- Lodging and experience platform, Airbnb

Top contributor DoorDash is a leading food delivery company in the U.S. We believe DoorDash can leverage this position over time to become an on-demand logistics platform for same-city deliveries across multiple categories. We believe the company benefits primarily from efficient scale related competitive advantages and is well positioned to benefit from the secular growth in delivery across product categories as consumers increasingly value and seek the convenience it offers. The company reported strong fundamental results characterized by continued healthy revenue growth, domestic and international market share gain, as well as greater traction with new product offerings.

Contributor Cloudflare is a global cloud platform that provides security, performance, and reliability services to the applications of its customers. The company's cloud platform has a proprietary architecture that allows it to scale rapidly to meet customer demands, and its services enable customers to run their applications without managing expensive and complex network hardware internally. We believe the company benefits primarily from intellectual property and efficient scale related competitive advantages, and is well positioned as enterprises increasingly invest in ensuring that their mission critical applications are secure and operating properly. While the overall software spending environment remains challenging, Cloudflare reported overall healthy quarterly results driven by improvements in its go-to-market strategy, salesforce maturation, and the mission critical nature of its products.

Contributor Adyen offers an integrated payments platform that helps merchants accept electronic payments globally. The company offers online, in-person, omni-channel, and platform payments solutions through a single back-end payments stack. We believe the company benefits from efficient scale and intellectual property related competitive advantages, and is well positioned to capitalize on the secular growth of electronic forms of payment and ecommerce. The company reported better-than-expected results characterized by resilient business trends and improving investor sentiment on near term competitive dynamics in North America.

## Strategy and Outlook

Counterpoint Global looks to own a portfolio of unique companies with diverse business drivers, strong competitive advantages and positioning, and healthy secular growth prospects whose market value we believe can increase significantly over the long-term for underlying fundamental reasons, independent of the macro or market environment. We find these companies through fundamental research. Our emphasis is on secular growth, and as a result short-term market events are not as meaningful in the stock selection process.

Counterpoint Global believes having a market outlook can be an anchor. We focus on assessing company prospects over a five year investment horizon. Current portfolio positioning reflects what we believe are the best long-term investment opportunities.

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

## Fund Facts

Launch date	01 December 2005
Base currency	U.S. dollars
Benchmark	Custom- Blended Benchmark

## Calendar Year Returns (%)

Past performance is not a reliable indicator of future results.

	YTD	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Class A Shares	7.96	44.56	-54.99	-3.90	75.62	25.53	0.96	31.12	1.49	10.69	8.04
Blended Benchmark	10.56	26.29	-18.11	28.71	18.40	31.49	-4.38	21.83	11.96	1.38	13.69

Investment involves risks. 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 Blended Index performance shown is calculated using the **S&P 500 Index** from inception through 31 August 2009, the **Russell 1000 Growth Net 30% Withholding Tax TR Index** to 31 March 2010 and the S&P 500 Index thereafter.

The **Standard & Poor's 500<sup>®</sup> Index (S&P 500<sup>®</sup>)** 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 **Russell 1000 Growth Net 30% Withholding Tax TR Index** measures the performance of the large-cap growth segment of the U.S. equity universe, net 30% withholding tax TR. It includes those Russell 1000<sup>®</sup> Index companies with higher price-to-book ratios and higher forecasted growth values. The Russell 1000<sup>®</sup> Index is an index of approximately 1,000 of the largest U.S. companies based on a combination of market capitalization and current index membership.

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