

Morgan Stanley Investment Funds  
**Asia Opportunity Fund**

**GLOBAL OPPORTUNITY TEAM**

**Performance Review**

In the one month period ending 31 August 2023, the Fund's Z shares returned -5.71% (net of fees)<sup>1</sup>, while the benchmark returned -6.41%.

Year-to-date, the Fund returned -2.86% (Z share net of fees), underperforming the benchmark return of 2.33%.

**Market Review**

Asia ex Japan equities advanced year-to-date. The information technology, energy and industrials sectors led benchmark gains, while real estate, utilities and health care underperformed the benchmark.

**Portfolio Review**

Year-to-date (YTD) Fund underperformance was due to a sector underweight position in information technology and unfavourable stock selection in consumer staples and information technology. Stock selection in real estate and industrials as well as a sector underweight allocation to utilities contributed to relative performance.

Top detractors YTD included:

- Chinese soy sauce brand Foshan Haitian Flavouring & Food Co. Ltd.
- Chinese consumer super-app Meituan
- Underweight position in foundry service provider Taiwan Semiconductor Manufacturing Co. Ltd.
- Software-as-a-service company Weimob Inc.
- Fabless integrated design manufacturer Silergy Corp.

Top contributors YTD included:

- Korean ecommerce platform Coupang
- Chinese real estate agency KE Holdings Inc.
- Chinese online travel agency Trip.com
- Indian private sector bank IndusInd Bank Ltd.
- Mobility, food delivery and digital wallet platform Grab

We have made minimal changes to the portfolio given our conviction in the long-term investment thesis of existing holdings. We have optimised the portfolio by re-allocating to positions where we believe that market valuations have disconnected from intrinsic value.

Newly initiated positions include companies in areas such as Chinese baijiu and medical devices.

**Strategy and Outlook**

The portfolio currently has resilient and improving fundamentals with 100% of portfolio expected to be free cash flow positive by 2025 (estimated) and revenue growth that is above the benchmark over the next three years, based on FactSet consensus estimates. Valuation appears attractive relative to history, with a free cash flow yield of 6.4% for the portfolio, based on 2025 consensus estimates.

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 five- to ten-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	31 March 2016
Base currency	U.S. dollars
Benchmark	MSCI All Country Asia Ex Japan Net Index

<sup>1</sup> Source: Morgan Stanley Investment Management Limited. Data as of 31 August 2023.

## Calendar Year Returns (%)

Past performance is not a reliable indicator of future results.

	YTD	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Class Z Shares	-2.86	-21.86	-20.35	51.80	41.66	-14.68	74.92	--	--	--	--
MSCI All Country Asia Ex Japan Net Index	2.33	-19.67	-4.72	25.02	18.17	-14.37	41.72	--	--	--	--

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. **Please visit our website [www.morganstanley.com/im](http://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 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, increased operational costs.
- There may be an insufficient number of buyers or sellers which may affect the fund's ability to buy or sell securities.
- Investments in China involves a risk of a total loss due to factors such as government action or inaction, market volatility and reliance on primary trading partners.

- Investment in China A-Shares via Shanghai-Hong Kong and Shenzhen-Hong Kong Stock Connect programs may also entail additional risks, such as risks linked to the ownership of shares.
- There are increased risks of investing in emerging markets as political, legal and operational systems may be less developed than in developed markets.
- 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 31 August 2023 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 official language of your local jurisdiction at [morganstanleyinvestmentfunds.com](http://morganstanleyinvestmentfunds.com) or free of charge from the Registered Office of Morgan Stanley Investment Funds, European Bank and Business Centre, 6B route de Trèves, L-2633 Senningerberg, R.C.S. Luxembourg B 29 192.

Information in relation to sustainability aspects of the Fund and the summary of investor rights is available at the aforementioned website.

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 relevant UCITS rules.

### INDEX INFORMATION

The **MSCI All Country Asia Ex Japan Index** is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of Asia, excluding Japan. 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 directly invest in an index.

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Applications for Fund interests in the sub-fund mentioned herein should not be made without first consulting the current Prospectus, Key Information Document ("KID") or 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. Luxemburg B 29 192.

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