

Morgan Stanley Investment Funds

Global Core Equity Fund

APPLIED EQUITY ADVISORS TEAM

Performance Review

In the three month period ending 31 December 2023, the Fund's I shares returned 11.50% (net of fees)¹, while the benchmark returned 11.42%.

As a core portfolio, Global Core attempts to tilt toward the style of stock exposure (growth, value, defensive) that offers the best opportunity within the context of a typically 40- to 60-stock portfolio. With a limited number of stocks, diversification² among positions is a critical component of risk control.

Following are the most significant performance drivers relative to the MSCI World benchmark for the fourth quarter of 2023:

1. Geographic exposures:
 - a. An overweight to China cost -1.11%.
 - b. An overweight to Taiwan added +0.33%.
2. Style Exposures:
 - a. An underweight U.S. high beta stocks cost -0.47%. An underweight to the lowest U.S. beta stocks added +0.33%.
 - b. An overweight to the U.S. highest quality stocks cost -0.26%.
3. Sector exposures:
 - a. An underweight to health care added +0.54%.
 - b. An underweight to consumer staples added +0.39%.
4. Specific Stocks:
 - a. Five stocks: CRH, Lululemon, Microsoft, United Rentals and Taiwan Semiconductor each rallied more than 20% for the quarter, resulting in a combined addition of +2.93%.
 - b. The only stock down of significance was Chevron, which lost -11% over the quarter. This cost the portfolio -0.98%.

Past performance is no guarantee of future results. The attribution is presented gross of fees. Had these fees and expenses been deducted, returns would be lower. See the next page for performance.

Strategy and Outlook

There are five reasons we believe the equity rally is not over:

1. Retail fund flows only turned positive in November, a year beyond the 2022 market low. This is consistent with past patterns for fund flows, and is likely fuel for further gains.
2. Since 1940, the S&P 500 has always (17 out of 17 times) gone up the year incumbent presidents run for re-election,³ as is happening in 2024.
3. Historically, since 1974, once the Federal Reserve (Fed) stops hiking rates, the equity rally has lasted longer and gone higher.
4. At the current pace, monthly inflation numbers should continue to point in a downward trajectory, at least for the first half of 2024.
5. Technically, since 1960, broadening of the recent rally (90% of S&P 1500 stocks are above their 50-day moving averages) has an excellent history of predicting further gains ahead.⁴

We believe this would also point to a better time for stock picking versus indexing.

What worries us:

1. After a year (2023) of very little pain for bullish investors, the next year has frequently challenged a bullish thesis.
2. Monthly inflation numbers will have tougher year-over-year comparisons in the second half of 2024.
3. Once the Fed cuts rates, will the bears scare the market?

¹ Source: Morgan Stanley Investment Management Limited. Data as of 31 December 2023.

² Diversification neither assures a profit nor guarantees against loss in a declining market.

³ Source: Strategas, Bloomberg L.P.

⁴ Source: Sentiment Trader, 20 December 2023 and 26 December 2023.

How our portfolios are positioned:

1. We like a balance between growth (technology and consumer discretionary) and value (financials and industrials).
2. We remain underweight relative to the defensive sectors (health care and consumer staples).
3. While a weaker dollar makes non-U.S. investing more attractive, we don't buy into the "because foreign markets are cheaper" bullish argument.

Past performance is no guarantee of future results. The market returns referred to in the commentary are those of representative indices and are not meant to depict the performance of a specific investment.

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

Fund Facts

Launch date	12 July 2016
Base currency	U.S. dollars
Benchmark	MSCI World Net Index

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 I Shares	18.90	18.90	-19.63	18.19	21.59	30.96	-16.40	22.19	--	--	--
MSCI World Net Index	23.79	23.79	-18.14	21.82	15.90	27.67	-8.71	22.40	--	--	--

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 to see the latest performance returns for the fund's other share classes.**

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.
- 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 funds ability to buy or sell securities.
- 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 December 2023 and subject to change daily.

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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 **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.

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