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Morgan Stanley Investment Funds

Global Insight Fund

COUNTERPOINT GLOBAL | COMMENTARY | 31 MARCH 2021

Performance Review

In the three month period ending 31 March 2021, the Fund's Z shares returned -4.58% (net of fees)¹, while the benchmark returned 4.57%.

The long-term investment horizon and conviction-weighted investment approach embraced by Counterpoint Global 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 benchmark this quarter due to unfavourable stock selection and sector allocations.

Global equities, as measured by the MSCI All Country World Index, continued to advance over the quarter. Energy and Financials posted the largest gains in the MSCI All Country World Index. All sectors posted positive returns over the period, with the exception of Consumer Staples, which was the greatest laggard in the index. Against this backdrop, our team continued to focus on stock selection and the long-term outlook for companies owned in the portfolio.

Information Technology was the top detractor in the portfolio this quarter, largely due to unfavourable stock selection. Cloud data platform provider Snowflake was the top detractor in the sector and among the greatest across the portfolio. Snowflake's fundamentals remained very strong, so we attribute the weakness largely to a broad sell-off in higher growth software companies that had performed well over the past year. This adversely affected a number of the portfolio's other holdings in the IT Services and Software areas as well, including Coupa Software and Okta. Coupa is a company that offers cloud-based enterprise software to help companies optimize spending. Coupa Software shares underperformed despite solid results characterized by revenue and profit growth that beat Street estimates. Coupa's recent acquisition of LLamasoft may pressure near-term margins as the company transitions this business to a subscription-based business model; this also weighed on investor sentiment to an extent. Okta, a leading independent provider of identity access management solutions for enterprises, was also a detractor. Okta's results beat Street estimates; however, the company's outlook was muted due to expected reinvestment in growth initiatives which may lower near-term profitability. In addition, Okta announced its acquisition of competitor Auth0 in an all-stock deal; the acquisition eliminates a fast-growing competitor in the customer identity market while also providing Okta an opportunity to cultivate deeper relationships with the software developer community. Investor concerns about the acquisition likely weighed on Okta shares as well, to an extent. Within the sector, the weakness in these holdings was partly offset by strength in Square, which was among the top contributors in the portfolio. Square provides payment, point of sale, capital, and business management solutions to facilitate commerce between businesses and consumers. Its shares continued to advance on solid results, characterized by increasing levels of user engagement on its Cash App mobile payment services platform, as well as improving payment volume growth in its seller ecosystem.

Stock selection in Communication Services, Consumer Discretionary, Health Care, Industrials, and Materials also impeded relative performance, as did stock selection and an average underweight position Financials. Audio streaming services provider Spotify was the greatest detractor both among these areas and across the portfolio. We attribute the underperformance to some mean reversion following a period of outperformance over previous quarters, as well as somewhat mixed results. The company reported strong subscriber growth, continued recovery in advertising revenue, and solid engagement trends across both its music and podcast offerings; however, management provided guidance on subscriber growth and profitability that fell short of high market expectations. Within Communication Services, the weakness in Spotify was partly offset by strength in Sea Limited, Interactive Corporation, and Twitter, all of which were top contributors across the portfolio. Sea Limited, an e-commerce and online gaming leader in Southeast Asia, continued to benefit from the accelerating growth in e-commerce globally, and saw strong user growth and monetization trends in its gaming franchise. The company also experienced growing adoption of its digital payments and financial services platform, SeaMoney. Internet media services provider Interactive Corporation outperformed due to solid fundamentals across its major business lines; the company also confirmed its timeline to spin off its video hosting, sharing, and services platform Vimeo this year. Shares in global communications platform Twitter

¹ Source: Morgan Stanley Investment Management Limited. Data as of 31 March 2021.

advanced on healthy financial results, characterized by accelerating advertising revenue growth, as well as an upbeat investor day presentation that highlighted initiatives the company has underway to increase the pace of product development, deepen user engagement, grow its user base, and improve monetization in newer channels. In Consumer Discretionary, online luxury goods marketplace Farfetch was the greatest detractor in the sector, and the fifth greatest across the portfolio. The company continued to post solid results and introduce new platform innovations, so we attribute the underperformance largely to some mean reversion following a period of strong share price appreciation.

Energy was overall a small detractor in the portfolio, as an average sector underweight position more than offset the favourable impact of stock selection. Texas Pacific Land Corporation was the fifth greatest contributor across the portfolio. Its shares advanced on improving fundamentals, supported by a recovery in oil prices over the second half of 2020. During the quarter, the company also completed its conversion from a trust structure to a corporation.

Lastly, Real Estate and Utilities each had a negligible impact on the portfolio's relative performance this quarter.

Strategy and Outlook

The investment team looks for unique companies whose market value we believe can increase significantly for underlying fundamental reasons. 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. It is our goal to hold a portfolio of high quality companies we believe are well positioned over the long term, regardless of the market environment.

As a team, we believe having a market outlook can be an anchor. Our focus is on assessing a company over a five-year horizon.

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

FUND FACTS

Launch date

31 January 2013

Base currency

U.S. dollars

Index

MSCI All Country World Net Index

12 Month Performance Periods to Latest Month End (%)

	MARCH '20 - MARCH '21	MARCH '19 - MARCH '20	MARCH '18 - MARCH '19	MARCH '17 - MARCH '18	MARCH '16 - MARCH '17
MS INVF Global Insight Fund - Z Shares	109.79	-3.75	9.87	29.04	17.01
MSCI All Country World Net Index	54.60	-11.26	2.60	14.85	15.04

Effective 8th April 2021, the Morgan Stanley Investment Funds Global Advantage Fund is renamed to Morgan Stanley Investment Funds Global Insight Fund, and the Fund's approach has been amended from seeking established companies, to established and emerging companies.

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 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 Z 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.

- There may be an insufficient number of buyers or sellers which may affect the fund's ability to buy or sell securities.
- 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 March 2021 and subject to change daily.

INDEX INFORMATION

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

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