Performance Review

In the one month period ending 31 October 2023, the Fund’s Z shares returned -4.11% (net of fees), while the benchmark returned -3.01%.

Year-to-date as of 31 October 2023, the Fund returned 24.75%, outperforming the benchmark return of 6.75%.

Market Review

Global equities advanced year-to-date, led by gains in information technology, communication services and consumer discretionary. The real estate, utilities, health care, consumer staples and materials sectors declined, underperforming the benchmark.

Portfolio Review

Year-to-date (YTD) Fund outperformance was driven by favourable stock selection in industrials, communication services and information technology. Stock selection in financials and sector overweight allocations to financials and industrials detracted from relative performance.

Top contributors YTD included:
- global mobility and food delivery platform Uber Technologies
- social network Meta Platforms
- cloud software platform ServiceNow
- Latin American ecommerce platform MercadoLibre
- Swedish audio streaming platform Spotify Technology SA

Top detractors YTD included:
- Chinese super-app Meituan
- Indian private sector bank HDFC Bank Ltd.
- Payment platform Block, Inc.
- Dutch payment platform Adyen NV
- TKO Group Holdings

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.

Strategy and Outlook

Equities corrected in recent months, driven lower by higher interest rates. Real interest rate increases have implications for asset allocation between bonds and equities, but only marginally so for allocations within equities as a whole.

To illustrate, we can use a discounted cash flow analysis and run through higher rates with a first principles approach. If the real interest rate in the United States increases by 1.5%, the intrinsic value of a mature slower grower, at a 5% compound annual growth rate for the next 10 years, will be negatively impacted by 10%, while the negative impact to a company with three times the growth rate is only slightly more at 11% – just a 1% difference to intrinsic value. For the equity investor, we believe this is not worth chasing. In our view, it is much more meaningful to find companies trading at 20% or more discounts to intrinsic value than to worry about a 1% variability in relative performance.

For long-term, bottom-up investors, these kinds of disrupted markets create opportunity. Often the fundamentals of the companies we invest in are less volatile than the underlying stock prices, and from time to time, that disruption creates substantial investment opportunities for individual stocks and the portfolio as a whole. Importantly, the fundamentals of our portfolio holdings remain robust. To the extent that interest rates are rising because of heightened expectations of higher inflation, we believe the portfolio may benefit from the pricing power of our companies. For example, if your meal at your favourite restaurant costs 10% more this year than last year, the credit card brand that you use to make the purchase also likely makes around 10% more in revenues because a large part of its business comes from transaction fees as a percentage of the total bill. Luxury companies are raising

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² Double-digit returns are highly unusual and cannot be sustained. Investors should also be aware that these returns were primarily achieved during favourable market conditions.

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.
prices this year – in some cases much more than inflation – because their affluent customer base is accustomed to expecting higher prices and can afford them.

The high quality companies we invest in are chosen for what we see as large endgame potential, uniqueness and pricing power, and we continue to have high conviction in our holdings.

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**

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<thead>
<tr>
<th>Fund Facts</th>
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<tbody>
<tr>
<td><strong>Launch date</strong></td>
<td>30 November 2010</td>
</tr>
<tr>
<td><strong>Base currency</strong></td>
<td>U.S. dollars</td>
</tr>
<tr>
<td><strong>Benchmark</strong></td>
<td>MSCI All Country World Net Index</td>
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**Calendar Year Returns (%)**

Past performance is not a reliable indicator of future results.

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</thead>
<tbody>
<tr>
<td>Class Z Shares</td>
<td>24.75</td>
<td>-41.89</td>
<td>0.89</td>
<td>55.47</td>
<td>36.10</td>
<td>-6.48</td>
<td>49.84</td>
<td>0.39</td>
<td>19.78</td>
<td>8.38</td>
<td>39.80</td>
</tr>
</tbody>
</table>

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**

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 base currency 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.
- 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.

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 or free of charge from the Registered Office of Morgan Stanley Investment Funds, European Bank and Business Centre, 68 route de Trèves, L-2633 Senningerberg, R.C.S. Luxemburg 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 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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Dubai: MSIM Ltd (Representative Office), Unit Precinct 3-7th Floor-Unit 701 and 702, Level 7, Gate Precinct Building 3, Dubai International Financial Centre, Dubai, 506501, United Arab Emirates. Telephone: +97 (0)4 709 7158.

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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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