

## Morgan Stanley Investment Funds Global Permanence Fund

ACTIVE FUNDAMENTAL EQUITY | COUNTERPOINT GLOBAL TEAM | QUARTERLY COMMENTARY | 30 JUNE 2020

### Performance Review

As the Fund is less than a year old we are constrained from commenting on its performance.

The long-term investment horizon and conviction-weighted investment approach embraced by the Counterpoint Global team 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 outperformed the benchmark this quarter largely due to favourable stock selection; sector allocations also contributed, to a lesser extent.

Global equities, as measured by the MSCI All Country World Index, rebounded strongly over the quarter. Information Technology and Consumer Discretionary posted the largest gains in the MSCI All Country World Index. All sectors posted double-digit returns over the period, with the exception of Utilities and Consumer Staples, which were the relative laggards. Against this backdrop, our team continued to focus on stock selection and the long-term outlook for companies owned in the portfolio.

Health Care was the top contributor in the portfolio this quarter, largely due to favourable stock selection. Veeva Systems, which provides cloud-based software solutions to the life sciences industry, was the top contributor in Health Care and across the portfolio. Fundamentals remain strong at Veeva, as the company reported revenue and profitability that beat consensus estimates, demonstrating the resilience of the company's business model. To address evolving industry needs during the pandemic and continue fostering strong partnerships with its customers, Veeva also launched new relevant products to help support the shift to more digital workflows in areas like physician engagement and clinical trials.

Stock selection in and sector allocations to Communication Services, Consumer Staples, Financials, Materials, and Real Estate also contributed, as did a sector overweight in Consumer Discretionary and a lack of exposure to Utilities. Online retail and cloud computing leader Amazon.com was one of the top contributors among these areas, and the third greatest across the portfolio. The company has benefited from the accelerating growth in e-commerce globally during the global pandemic, as consumers increasingly supplement or replace trips to physical stores to buy products across a wide range of categories. Amazon.com reported healthy quarterly results characterized by better than expected revenue and profit growth, and a raised near-term financial outlook.

Stock selection in Energy and Information Technology also contributed, although this was partly offset by the adverse impact of a sector underweight position in each sector. In Information Technology, a number of holdings in the IT Services and Software areas contributed to relative results. This was partly offset, however, by the portfolio's positions in Apple and Microsoft, which were the two greatest detractors across the portfolio. Shares of Apple, a global leader in innovative and attractively designed PC and mobile devices, advanced on solid results that beat Street estimates, aided by strength in its Services and App Store business segments. Apple was a detractor due to an average underweight position in the portfolio. Shares of software and cloud services provider Microsoft also rose over the quarter on solid fundamentals including accelerating revenue growth, gross margin expansion, and particular strength in its Productivity & Business Process and Intelligent Cloud businesses. Like Apple, Microsoft was a detractor due to an average underweight position in the portfolio.

Lastly, stock selection in Industrials also contributed, to a lesser extent.

### 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**  
30 August 2019

**Base currency**  
U.S. dollars

**Index**  
MSCI All Country World Index

**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](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

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 the 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 30 June 2020 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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