

## Morgan Stanley Investment Funds

# Global Permanence Fund



### Performance Review

In the three month period ending 31 March 2024, the Fund's Z shares returned 10.55% (net of fees)<sup>1</sup>, while the benchmark returned 8.20%.

Counterpoint Global seeks high quality companies, which we define primarily as those with sustainable competitive advantages. We manage concentrated portfolios that are highly differentiated from the benchmark, with securities weighted on our assessment of the quality of the company and our conviction. The value added or detracted in any period of time will typically result from stock selection, given our philosophy and process.

The long-term investment horizon and conviction weighted, highly active investment approach embraced by Counterpoint Global can result in periods of performance deviation from the benchmark and peers. The portfolio outperformed the MSCI All Country World Index this quarter due to favorable stock selection.

### Market Review

Global Equities, as measured by MSCI All Country World Index, advanced quarter to date. Information Technology, Communication Services and Energy led benchmark gains, while Real Estate, Utilities and Materials were the relative underperformers.

Optimism around changing conditions in late 2023 dimmed as interest rate expectations rose during the first quarter. A select few mega cap companies and stock price momentum drove market results, while higher growth equities lagged. Against this backdrop, we continued to focus on company-specific fundamentals, which, across portfolio holdings have largely remained healthy and in-line with our expectations. We continue to own unique companies with attractive end-game potential, strong balance sheets, and multiple competitive advantages that we believe can be long-term winners over the next three to five years. While we have opportunistically added to some positions and initiated new ones, overall, we have made few changes as we remain confident in the long-term prospects for the businesses we own.

### Portfolio Activity

Quarter to date outperformance was driven by favorable stock selection in Information Technology, Consumer Staples and Industrials.

#### *Top contributors QTD included:*

- Web performance and security company, Cloudflare
- Vertical software provider, Topicus.com
- Aerospace and defense engineering services company, Babcock International Group
- Beverage company, Celsius Holdings
- Swiss premium performance sports brand, On Holding

Top contributor Cloudflare is a global cloud platform that provides security, performance, and reliability services to the applications of its customers. The company's cloud platform has a proprietary architecture that allows it to scale rapidly to meet customer demands, and its services enable customers to run their applications without managing expensive and complex network hardware internally. We believe the company benefits primarily from intellectual property and efficient scale related competitive advantages, and is well positioned as enterprises increasingly invest in ensuring that their mission critical applications are secure and operating properly. While the overall software spending environment remains challenging, Cloudflare reported overall healthy quarterly results driven by improvements in its go-to-market strategy, salesforce maturation, and the mission critical nature of its products.

Contributor Babcock International provides mission-critical engineering and support services to international aerospace and defense clients in both the public and private sectors. We believe the company benefits from brand and high switching costs related competitive advantages, and can continue to leverage its world-class defense and security expertise to capture greater market share. Its shares advanced due to strong business execution. The company experienced strong organic revenue growth across their existing business and has been building out a strong contract backlog across their marine, nuclear, aviation, and land segments.

Conversely, stock selection in Health Care, Financials, and Real Estate detracted from relative performance.

#### *Top detractors QTD included:*

- Contemporary carpets and floor coverings company, Victoria Plc
- Digital communications infrastructure provider, American Tower

<sup>1</sup> Source: Morgan Stanley Investment Management Limited. Data as of 31 March 2024.

- Analytical testing and laboratory services provider, Eurofins Scientific
- Indian financial services company, HDFC Bank
- Spirits producer and distributor, Remy Cointreau

Top detractor Victoria Plc is a leading manufacturer and retailer of carpets and floor coverings in the UK, Europe and Australia with a collection of strong brands. We believe the company benefits from efficient scale related competitive advantages, and can benefit from new construction and home renovation activity, as well as residential and commercial replacement demand for flooring products. Its shares underperformed due to lower-than-expected quarterly results and near-term profitability outlook. The company is experiencing softer demand due to a tougher macroeconomic environment characterized by lower consumer confidence, higher interest rates, and reduced home reselling activity.

Detractor American Tower is the largest global owner of cellular towers and related infrastructure. Additionally, the company has entered the datacenter market to support increasing customer demand for edge computing use cases. We believe the company benefits from high switching costs and efficient scale related competitive advantages, and is well positioned as the largest owner of critical infrastructure supporting the continued growth of mobile and wireless communications. Its shares underperformed due to weaker cash flow trends resulting from the divestiture of the company's operations in India as well as higher interest expense.

## Outlook

Counterpoint Global looks to own a portfolio of unique companies with diverse business drivers, strong competitive advantages and positioning, and healthy secular growth prospects whose market value we believe can increase significantly over the long-term for underlying fundamental reasons, independent of the macro or market environment. We find these companies through fundamental research.

Counterpoint Global believes having a market outlook can be an anchor. We focus on assessing company prospects over a five year investment horizon. Current portfolio positioning reflects what we believe are the best long-term investment opportunities.

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

## Fund Facts

Launch date	30 August 2019
Base currency	U.S. dollars
Benchmark	MSCI All Country 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 Z Shares	10.55	21.30	-18.95	20.52	25.77	--	--	--	--	--	--
MSCI All Country World Net Index	8.20	22.20	-18.36	18.54	16.25	--	--	--	--	--	--

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 Fund may be impacted by movements in the exchange rates between the Fund's currency and the currencies of the Fund's investments.
- 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.
- 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 31 March 2024 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. Luxemburg B 29 192.

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## 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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*N°035-2021-SMV/02* (the "*Reglamento 2*"), and are being offered to institutional investors only (as defined in article 8 of the Securities Market Law) under the special public offering directed exclusively to the institutional investors under the *Reglamento 1 and Reglamento 2*, then the interests in the Fund will be registered in the Section "*Del Mercado de Inversionistas Institucionales*" of the Securities Market Public Registry (*Registro Público del Mercado de Valores*) maintained by the *Superintendencia del Mercado de Valores (SMV)*, and the offering of the Fund interests in Peru only to institutional investors will be subject to the supervision of the SMV, as well as any transfers of the Fund interests shall be subject to the limitations contained in the Securities Market Law and the regulations issued thereunder mentioned before, under which the Fund interests may only be transferred between institutional investors under Article 27 of the *Reglamento 1 and Reglamento 2*. If neither the Fund nor the interests in the Fund have been and will not be registered in Peru under *Decreto Legislativo 862* and under *Decreto Legislativo 861 referenced above*, nor they will be subject to a public offering directed to institutional investors under the *Reglamento 1*, and will be offered to institutional investors only (as defined in article 8 of the Securities Market Law) pursuant to a private placement, according to article 5 of the Securities Market Law, the interests in the Fund will not be registered in the Securities Market Public Registry maintained by the *SMV*, and the offering of the Fund interests in Peru to institutional investors nor the Fund will be subject to the supervision of the SMV, and any transfers of the Fund interests shall be subject to the limitations contained in the Securities Market Law and the regulations issued thereunder mentioned before, under which the Fund interests may only be transferred between institutional investors. 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. Luxembourg B 29 192.

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