

Morgan Stanley Investment Funds

# Systematic Liquid Alpha Fund

**AIP HEDGE FUND TEAM**

## Performance Review

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

## Market Review

After a strong first quarter, global developed market equities declined in April. The MSCI World Index lost -3.71% while the S&P 500 Index ended down -4.08%. Global government bond yields broadly rose, as persistent inflation data cast doubts on the likelihood of near-term central bank rate cuts. As of 30 April, markets are pricing in just a 40% chance of a Federal Reserve rate cut in 2024. Easing appears more likely in Europe, as markets still anticipate the first rate cut by the European Central Bank (ECB) in June. The positive correlation regime between stocks and bonds that has characterized much of the prior two years was evident, as bonds fell alongside equities. The Bloomberg Global Aggregate Bond Index lost -2.52%.

Equity Factors:

The shifting investor sentiment during the month stoked equity factor volatility. Momentum, 2024's clear factor leader, saw continued strength early in the month, but ended April -0.69% after a sharp mid-month reversal. Value and low volatility stocks performed well amid momentum's setback.

Commodities:

Broad commodity indexes rose sharply in April, continuing their year-to-date climb and bucking the trend of falling prices that began in 2022 and that has been a key contributor to declining inflation. Gains were strongest across the industrial metals complex. Coffee prices were also up significantly as weather-related events in certain key producer countries impacted supply amid sustained rising demand. These rising prices more than offset declines in areas like cotton, soybean and sugar.

Currencies:

The dollar continued to strengthen versus most major currencies given sticky inflation and the likelihood of the Federal Reserve (Fed) keeping rates elevated for the foreseeable future. The notable exception to this broad-based strength was the greenback's relationship to the Japanese yen, which rallied strongly versus the greenback on suspicions that the Bank of Japan had intervened to support the country's currency.

Trend:

Despite the pullback in certain traditional assets, trend-following strategies with a longer lookback period performed well in April, benefiting from short positions in U.S. Treasury bonds and long exposure to certain commodities.

## Portfolio Activity

No material portfolio changes were made during the month.

## Strategy and Outlook

After a strong first quarter for most major equity indexes, volatility returned in April on expectations for a global central bank easing cycle to unfold later this year. Stocks and bonds declined in tandem, highlighting the need to incorporate uncorrelated returns in traditional portfolios. Despite the potential for continued volatility in traditional markets given an ongoing cross-asset repricing of central bank policy, we believe that it remains a robust environment for alpha generation from factor-based sources of return.

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

## Fund Facts

Launch date	20 February 2024
Base currency	U.S. dollars

## Share Class Z Risk and Reward Profile

- There are increased risks of investing in emerging markets as political, legal and operational systems may be less developed than in developed markets.
- The value of financial derivative instruments are highly sensitive and may result in losses in excess of the amount invested by the Sub-Fund.
- The value of bonds are likely to decrease if interest rates rise and vice versa.
- 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.

- 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 April 2024 and subject to change daily.

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### INDEX INFORMATION

The **MSCI World 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.

The **Bloomberg Barclays Global Aggregate Index** provides a broad-based measure of the global investment grade fixed-rate debt markets. Total Returns shown is unhedged USD. 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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