

A Sub-Fund of Morgan Stanley Investment Funds  
**US Advantage Fund**



Investors should note that, relative to the expectations of the Autorité des Marchés Financiers, this UCITS presents disproportionate communication on the consideration of extra-financial criteria in its management.

### Performance Review

In the one month period ending 31 December 2024, the Fund's Z shares returned -1.32% (net of fees)<sup>1</sup>, while the benchmark returned -2.38%.

For the quarter, the Fund's Z shares returned 20.52% (net of fees), while the S&P 500 benchmark returned 2.41%.

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 S&P 500 index this quarter primarily due to favorable stock selection.

### Market Review

U.S. large cap equities, as measured by S&P 500 Index, advanced quarter to date. Consumer Discretionary, Communication Services and Financials led benchmark gains, while Materials, Health Care and Real Estate underperformed the benchmark.

Equities rallied sharply during the quarter following the U.S. presidential election results. Expectations of stronger economic growth and an improved regulatory and M&A environment under the incoming administration buoyed investor sentiment. 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 Review

QTD Fund outperformance has been driven by favorable stock selection in Information Technology and Communication Services, as well as a sector overweight position in Consumer Discretionary.

#### Top contributors QTD include:

- Enterprise analytics platform and Bitcoin developing company, MicroStrategy
- Web performance and security company, Cloudflare
- Electric vehicle developer, Tesla
- Commerce solutions platform, Shopify
- Food delivery company, DoorDash

Top contributor MicroStrategy is an enterprise analytics platform and Bitcoin developing company, that provides business intelligence analytics, mobile application development and identity management software solutions. We believe the company is unique due to its capital allocation strategy—it's the largest publicly traded corporate holder of Bitcoin—as well as its strong business intelligence solutions. We view MicroStrategy as a Bitcoin proxy without the associated fees and with potential additional downside protection via the cash flow of its core software business. Its shares advanced primarily due to the increase in value of its underlying Bitcoin holdings; the company continued to purchase Bitcoin through a combination of share issuance and convertible bond offerings.

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 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. The company reported better than expected quarterly results, but a slightly weaker revenue outlook on account of its ongoing sales restructuring effort.

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

Contributor Shopify is a software and services company which provides merchants with world class commerce tools, enabling them to sell directly to consumers and manage their business across all sales channels. We believe Shopify benefits from an efficient scale and cost related competitive advantages, and is positioned well to continue hosting merchants of all sizes on its platform and offering its customers a comprehensive suite of services across channels. We believe the company can be a beneficiary of the continued secular shift away from offline retail towards online retail as consumers increasingly value the convenience, cost, and selection advantages ecommerce offers. The company reported healthy fundamental results driven by strong execution across key initiatives. The company has continued to expand internationally, increase penetration of its point of sale (POS) offerings, and demonstrate operational discipline by keeping costs down.

Conversely, stock selection in Financials and Industrials, as well as a sector underweight position in Financials detracted most from relative performance.

**Top detractors QTD include:**

- Ecommerce and fintech services platform, MercadoLibre
- Hard surface flooring retailer, Floor & Decor
- Biopharmaceutical royalties acquirer, Royalty Pharma
- Digital communications infrastructure provider, American Tower
- Global mobility and food delivery platform, Uber Technologies

Top detractor MercadoLibre operates the largest internet enabled marketplace in Latin America, and is also an electronic payments processor and fintech services provider. We believe the company benefits from network effect and efficient scale competitive advantages, and is well positioned as consumers further adopt internet enabled commerce to gain access to unique inventory and competitive pricing, while merchants benefit from a growing buyer base. The company is also poised to capture more of the ecommerce value chain through its payments, advertising and logistics services. Despite reporting overall healthy results, its shares underperformed primarily due to investor concerns around recent macroeconomic volatility in Brazil and the larger than expected growth in its credit business, which is expected to create near-term margin pressure.

Detractor Floor & Décor Holdings is a multi-channel specialty retailer of hard surface flooring products. We believe the company benefits from efficient scale and brand related competitive advantages, and is well positioned as consumers increasingly seek a broad assortment of flooring products and accessories at everyday low prices. Despite reporting better than expected results, we believe its shares underperformed due to prolonged higher interest rates, reduced financing options, and tighter lending standards, which continue to pressure broader home renovation activity.

Detractor Royalty Pharma is one of the largest buyers of biopharmaceutical royalties and a leading funder of innovation across academic institutions, non-profits, biotechnology, and pharmaceutical companies. We believe the company benefits from intellectual property and brand related competitive advantages, and is well positioned due to the growing capital needs for biotechnology companies, complexity of innovation, and the overall secular trends leading to higher demand for drugs and effective treatment therapies. The company is a leader in the royalty acquisition space and we expect them to maintain their dominance due to deep industry experience and connections. Despite reporting solid quarterly results and raising its near-term financial outlook, its shares languished as the overall sentiment toward the healthcare sector remains pressured primarily due to regulatory uncertainty.

## Strategy and 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. Our emphasis is on secular growth, and as a result short-term market events are not as meaningful in the stock selection process.

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	01 December 2005
Base currency	U.S. dollars
Benchmark	Custom- Blended Benchmark

## Calendar Year Returns (%)

Past performance is not a reliable indicator of future results.

	YTD	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Class Z Shares	3146	3146	45.76	-54.62	-3.12	77.00	26.54	1.75	32.17	2.32	11.58
Blended Benchmark	25.02	25.02	26.29	-18.11	28.71	18.40	31.49	-4.38	21.83	11.96	1.38

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 shares. The sources for all performance and index data is Morgan Stanley Investment Management ('MSIM Ltd'). 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 funds 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, available at [www.morganstanleyinvestmentfunds.com](http://www.morganstanleyinvestmentfunds.com). All data as of 31.12.2024 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 language of countries authorized for fund distribution and is available online at [Morgan Stanley Investment Funds Webpages](#) or free of charge from the Registered Office at European Bank and Business Centre, 6B route de Trèves, L-2633 Senningerberg, R.C.S. Luxembourg B 29 192.

The summary of investor rights is available in the aforementioned languages and website location under the General Literature section.

Information in relation to sustainability aspects of the Fund is available in English online at: [Sustainable Finance Disclosure Regulation](#).

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 UCITS rules..

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as tax, accounting, legal or regulatory advice. To that end, investors should seek independent legal and financial advice, including advice as to tax consequences, before making any investment decision.

The use of leverage increases risks, such that a relatively small movement in the value of an investment may result in a disproportionately large movement, unfavourable as well as favourable, in the value of that investment and, in turn, the value of the Fund.

Investment in the Fund concerns the acquisition of units or shares in a fund, and not in a given underlying asset such as building or shares of a company, as these are only the underlying assets owned.

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## INDEX INFORMATION

The Blended Index performance shown is calculated using the **S&P 500 Index** from inception through 31 August 2009, the **Russell 1000 Growth Net 30% Withholding Tax TR Index** to 31 March 2010 and the S&P 500 Index thereafter.

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 **Russell 1000 Growth Net 30% Withholding Tax TR Index** measures the performance of the large-cap growth segment of the U.S. equity universe, net 30% withholding tax TR. It includes those Russell 1000® Index companies with higher price-to-book ratios and higher forecasted growth values. The Russell 1000® Index is an index of approximately 1,000 of the largest U.S. companies based on a combination of market capitalization and current index membership.

A blended benchmark has been used because there has been a change in benchmark during the reporting period shown.

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