

## Morgan Stanley Investment Funds US Growth Fund



### Performance Review

In the one month period ending 31 March 2024, the Fund's I shares returned 2.32% (net of fees)<sup>1</sup>, while the benchmark returned 1.75%.

For the quarter, the fund's I shares returned 6.27% (net of fees), while the benchmark returned 11.35%.

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 underperformed the Russell 1000 Growth Index this quarter due to unfavorable stock selection.

### Market Review

Large cap growth equities, as measured by the Russell 1000 Growth Index, advanced over the quarter. Utilities and Communication Services posted the highest return in the index. Most sectors advanced over the period, however, Real Estate posted negative returns and was the relative underperformer.

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 Review

Quarter-to-date relative underperformance was driven by unfavorable stock selection in Information Technology, Health Care and Communication Services.

#### *Top detractors include:*

- Health care services provider, Agilon Health
- Payments technology services platform, Affirm Holdings
- Cloud data platform, Snowflake
- Videogame platform, Roblox
- Electric vehicle developer, Tesla

Top detractor Agilon Health is a health care services provider, offering its Total Care platform to a network of community-based physicians looking to transition from a traditional fee-for-service reimbursement model and towards a value-based care model for their Medicare Advantage patients. We believe Agilon benefits primarily from an efficient scale competitive advantage and is positioned well as a leading player in a fast-growing and underpenetrated market. Its shares languished due to management lowering its financial outlook once again and the expectation of prolonged increase in cost trends.

Detractor Affirm operates a technology platform specializing in consumer buy-now-pay-later point of sale financing and payment processing. We believe it benefits from network effects related competitive advantages. We believe it can benefit as buy-now-pay-later adoption accelerates globally due to the secular growth of ecommerce and electronic payments broadly. The company reported overall strong fundamental results; however, its shares were pressured due to investors worsened sentiment around expected rate cuts this year.

Detractor Snowflake is a cloud data platform. Snowflake is unique due its proprietary architecture that separates storage, compute and cloud services and allows each to scale independently, providing massive scalability and flexibility to customers in storing and analyzing data. We believe the company benefits from intellectual property and brand related competitive advantages, and is well positioned as a growing number of organizations focus on leveraging their data assets in a cost-effective manner to derive better insights. The company reported overall solid quarterly results, however its shares were pressured due to investor concerns around the announcement of CEO's departure, as well as weaker than expected near- and medium-term financial outlook.

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

Conversely, stock selection in Consumer Discretionary and Industrials, as well as an average underweight position in Real Estate contributed to relative performance.

**Top contributors include:**

- Used cars ecommerce platform, Carvana
- Enterprise analytics platform and Bitcoin developing company, MicroStrategy
- Food delivery company, DoorDash
- Global mobility and food delivery platform, Uber Technologies
- Web performance and security company, Cloudflare

Top contributor Carvana is a leader in selling used cars online in the United States. We believe the company benefits from network effects and brand related competitive advantages, and is well positioned to capitalize on a highly fragmented industry by providing used cars at lower costs with price transparency and strong customer services. Its shares advanced due to strong business execution characterized by improved profitability and operating efficiency, as well as market share gain and a better than expected outlook.

Contributor MicroStrategy is an enterprise analytics platform and Bitcoin developing company, providing 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 leading business intelligence solutions. We view MicroStrategy as a Bitcoin proxy without the associated fees and with additional potential 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 following the ETF approvals in January.

Contributor DoorDash is a leading food delivery company in the U.S. We believe DoorDash can leverage this position over time to become an on-demand logistics platform for same-city deliveries across multiple categories. We believe the company benefits primarily from efficient scale related competitive advantages and is well positioned to benefit from the secular growth in delivery across product categories as consumers increasingly value and seek the convenience it offers. The company reported strong fundamental results characterized by continued healthy revenue growth, domestic and international market share gain, as well as greater traction with new product offerings.

## 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 August 1992
Base currency	U.S. dollars
Benchmark	Russell 1000 Growth Net 30% Withholding Tax TR 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 I Shares	6.27	49.29	-60.29	1.88	117.14	22.32	5.58	44.14	-2.40	11.38	7.01
Russell 1000 Growth Net 30% Withholding Tax TR Index	11.35	42.30	-29.34	27.32	38.08	35.88	-1.89	29.67	6.56	5.19	12.54

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 I 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 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.

Information in relation to sustainability aspects of the Fund and the summary of investor rights is available at the aforementioned website.

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### INDEX INFORMATION

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.

The **Russell 1000® Growth Index** measures the performance of the large-cap growth segment of the U.S. equity universe. 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.

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