

## Morgan Stanley Investment Funds

# US Insight Fund



### Performance Review

In the three month period ending 31 March 2024, the Fund's Z shares returned 4.91% (net of fees)<sup>1</sup>, while the benchmark returned 11.23%.

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 3000 Growth Index this quarter due to unfavorable stock selection.

### Market Review

Growth Equities, as measured by Russell 3000 Growth Index advanced quarter to date. Communication Services, Information Technology and Financials led benchmark gains, while Real Estate, Utilities and Consumer Discretionary underperformed the benchmark.

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 underperformance was driven by unfavorable stock selection in Health Care, Information Technology and Communication Services.

#### *Top detractors QTD include:*

- Health care services provider, Agilon Health
- Payments technology services platform, Affirm Holdings
- Cloud data platform, Snowflake
- Autonomous driving company, Aurora Innovation
- Videogame platform, Roblox

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 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.

Detractor Roblox is a video game platform primarily focused on children and serves three primary functions – acting as a browser or interface for playing games, serving as a game engine for the creation of new games, and providing the infrastructure for hosting games. The company reported overall strong fundamental results and a better-than-expected financial outlook; however, its shares were pressured due to broader investor concerns around high growth equities, as well as the departure of the company's chief technology officer during the quarter.

<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 a lack of exposure to Real Estate contributed to relative performance.

**Top contributors QTD include:**

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

Top 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.

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.

## 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	28 November 2014
Base currency	U.S. dollars
Benchmark	Custom- Blended Benchmark

## 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	4.91	53.66	-61.75	-6.51	118.97	16.58	-9.85	20.57	33.45	-5.27	--
Blended Benchmark	11.23	41.21	-28.97	25.85	38.26	24.87	-8.58	13.19	18.40	-4.12	--

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 Shanghai-Hong Kong and Shenzhen-Hong Kong Stock Connect programs may also entail additional risks, such as risks linked to the ownership of shares.

- 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. Luxembourg B 29 192.

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### INDEX INFORMATION

The **Blended Index** performance shown is calculated using the **Russell 3000® Value Index** from inception through 30th August 2019 and the **Russell 3000® Growth Index** thereafter.

The **Russell 3000® Growth Index** measures the performance of the broad growth segment of the U.S. equity universe. It includes those Russell 3000® Index companies with higher price-to-book ratios and higher forecasted growth values. The Russell 3000® Index measures the performance of the largest 3000 U.S. companies representing approximately 98% of the investable U.S. equity market.

The **Russell 3000® Value Index** measures the performance of those companies in the Russell 3000® Index with lower price-to-book ratios and lower forecasted growth values. The Russell 3000® Index measures the performance of the largest 3000 U.S. companies representing approximately 98% of the investable U.S. equity market.

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