

Morgan Stanley Investment Funds

US Permanence Fund



Performance Review

In the three month period ending 30 June 2024, the Fund's Z shares returned -6.63% (net of fees)¹, while the benchmark returned 4.28%.

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

Market Review

U.S. large cap equities, as measured by S&P 500 Index, advanced over the quarter. Information Technology, Communication Services, and Utilities led benchmark gains, while Materials, Industrials, and Energy were the relative underperformers.

Concerns around inflation and the related timing and pace of potential interest rate cuts led to broader market volatility and weaker sentiment for high growth equities. The strong performance of a select few mega cap companies continued to drive market results. 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 has been driven by unfavorable stock selection in Information Technology, Consumer Discretionary and Health Care.

Top detractors include:

- Web performance and security company, Cloudflare
- Hard surface flooring retailer, Floor & Decor
- Construction management software, Procore Technologies
- Analytical testing and laboratory services provider, Eurofins Scientific
- Contemporary carpets and floor coverings company, Victoria

Top detractor 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. While the overall software spending environment remains challenging, Cloudflare reported solid quarterly results, characterized by strong performance across key growth metrics and solid operating margin expansion. Its shares languished, however, as management provided revenue guidance for 2024 that disappointed investors' elevated expectations. Weaker investor sentiment towards the software sector due to concerns of a potentially softer demand environment also pressured performance for the quarter.

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. The company reported mixed results characterized by softer demand as higher interest rates, reduced financing options, and tighter lending standards continue to pressure broader home renovation activity.

Conversely, stock selection in Energy and Financials, as well as a sector underweight position in Financials contributed to relative performance.

¹ Source: Morgan Stanley Investment Management Limited. Data as of 30 June 2024.

Top contributors include:

- Texas landowner, Texas Pacific Land Corporation
- Premium performance sports brand, On Holding
- Precious metals streaming and royalty companies, Royal Gold
- Investment services and tools provider, MSCI
- Semiconductor equipment manufacturer, ASML Holding

Top contributor Texas Pacific Land Corp is one of the largest landowners in Texas, generating revenue primarily from oil and gas lease royalties. We believe the company benefits from efficient scale and high switching costs related competitive advantages, and is poised to capitalize on the opportunity to maximize the value of the underlying land, resources and water by identifying the highest and best use for each. Its shares advanced due to overall healthy quarterly results characterized by strong production and royalties growth across oil, gas and water despite lower natural gas prices.

Contributor On Holding is an innovative athletic footwear, apparel, and accessories company with a focus on performance in the running, active and lifestyle segments. It employs an omnichannel business model, selling products through company owned stores, direct-to-consumer, online and through premium retail partners' locations. We believe the company benefits from brand and efficient scale related competitive advantages, and is poised to capitalize on its core product innovation to develop footwear, apparel, and accessories with superior technical performance and attractive design. Its shares advanced due to strong fundamental results characterized by strong business execution, solid revenue growth, and continued market share gains in the footwear category.

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.

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 October 2020
Base currency	U.S. dollars
Benchmark	S&P 500 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	3.71	24.99	-21.18	17.98	--	--	--	--	--	--	--
S&P 500 Net Index	15.29	26.29	-18.11	28.71	--	--	--	--	--	--	--

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 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 30 June 2024 and subject to change daily.

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INDEX INFORMATION

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.

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