

Morgan Stanley Investment Funds

US Permanence Fund

MARKETING COMMUNICATION | COUNTERPOINT GLOBAL TEAM | QUARTERLY COMMENTARY | 31 DECEMBER 2021

Performance Review

In the three month period ending 31 December 2021, the Fund's Z shares returned 5.09% (net of fees)¹, while the benchmark returned 11.03%.

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 investment approach embraced by Counterpoint Global can result in periods of performance deviation from the benchmark and peers. The portfolio underperformed the benchmark this quarter due to unfavourable stock selection.

U.S. large-cap equities, as measured by the S&P 500 Index, advanced over the quarter. Real Estate posted the greatest return in the S&P 500 Index. All sectors advanced over the period with the exception of Communication Services, which was the greatest relative laggard. Against this backdrop, Counterpoint Global continued to focus on stock selection and the long-term outlook for companies owned in the portfolio.

Greater volatility and a rotational market environment were headwinds to portfolio performance this quarter and throughout 2021. However, company-specific fundamentals, across most of the portfolio, remained largely robust. The portfolio's lack of exposure to some of the largest benchmark holdings also weighed on relative performance. Overall, we tried to take advantage of the volatility and opportunistically added to some positions and initiated new positions, in holdings where we believe the fundamentals remained intact and the valuation became more attractive.

Information Technology was the top detractor in the portfolio this quarter, largely due to mixed stock selection, primarily in the Software area. Salesforce.com, which provides proprietary on-demand customer relationship management and customer services software, was among the weaker performers in the sector and the fourth greatest detractor across the portfolio. While the company reported overall solid results and management indicated the pipeline of new sales opportunities remains robust, its shares languished due to a slightly softer-than-expected outlook. A broader sell-off in higher growth software businesses likely weighed on performance as well. Within the sector, the weakness in this holding and a few others was partly offset by strength in Constellation Software and ASML, which were the second and fourth greatest contributors, respectively, across the portfolio. Constellation Software is a leading provider of niche vertical market software and services globally. Its shares advanced due to solid results and continued progress on its acquisition strategy. ASML is a leading supplier of lithography equipment used in the production of semiconductor chips employed in a range of electronic devices; its shares outperformed on account of continued strength in bookings growth and a healthy financial outlook, supported by overall high demand for semiconductors and semiconductor capital equipment.

Stock selection in Industrials and Health Care also detracted. Axon Enterprises, a leading provider of connected law enforcement technology, was the top detractor across these areas and across the portfolio. Its shares underperformed despite healthy reported results characterized by strong revenue growth, solid traction with new products, and a raised financial outlook. Veeva Systems, a global leader in cloud-based software-as-a-service for the life sciences industry, was the top detractor in Health Care and the third greatest across the portfolio. Despite reporting healthy financial results, the company's shares were adversely impacted by fears of continued headcount attrition across customers in the pharmaceuticals industry.

Real Estate also impeded relative performance, due to both stock selection and an average sector underweight position.

¹ Source: Morgan Stanley Investment Management Limited. Data as of 31 December 2021.

Conversely, Consumer Staples was the top contributor across the portfolio, due to favourable stock selection. Membership warehouse club retailer Costco was the top contributor in the sector and across the portfolio. Its shares advanced on healthy financial results. While Costco, like other retailers, has been adversely impacted by supply chain disruption related delays, the company has continued to execute well and its management has been proactively addressing these issues to minimize impact to its customers.

To a lesser extent, an average sector underweight in both Financials and Communication Services also aided relative performance, as did stock selection and an average overweight in Materials.

Lastly, Consumer Discretionary, Energy and Utilities each had a negligible impact on the portfolio's relative performance this quarter.

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

Index

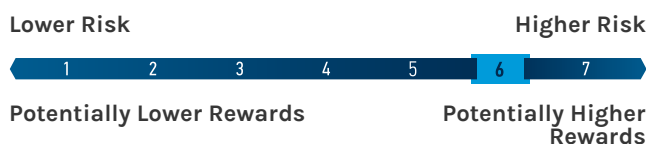
S&P 500 Net Index

12 Month Performance Periods to Latest Month End (%)

	DECEMBER '20 - DECEMBER '21	DECEMBER '19 - DECEMBER '20	DECEMBER '18 - DECEMBER '19	DECEMBER '17 - DECEMBER '18	DECEMBER '16 - DECEMBER '17
MS INV F US Permanence Fund - Z Shares	17.98	--	--	--	--
S&P 500 Net Index	28.71	--	--	--	--

Past performance is not a reliable indicator of future results. 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 risk and reward category shown is based on historic data.

- Historic figures are only a guide and may not be a reliable indicator of what may happen in the future.
- As such this category may change in the future.
- The higher the category, the greater the potential reward, but also the greater the risk of losing the investment. Category 1 does not indicate a risk free investment.
- The Fund is in this category because it invests in company shares and the fund's simulated and/or realised return has experienced high rises and falls historically.
- The Fund may be impacted by movements in the exchange rates between the Fund's currency and the currencies of the Fund's investments.

This rating does not take into account other risk factors which should be considered before investing, these include:

- 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.
- 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 31 December 2021 and subject to change daily.

This is a marketing communication. Applications for shares in the Fund should not be made without first consulting the current Prospectus and the Key Investor Information Document ("KIID"), which are available in English and in the official language of your local jurisdiction at 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. A summary of investor rights is available in English at the same website.

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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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