

MS INVF Quarterly International Equity Spotlight

ACTIVE FUNDAMENTAL EQUITY | INTERNATIONAL EQUITY TEAM | SPOTLIGHT | 31 DECEMBER 2018

TEAM OVERVIEW: The International Equity Team believes that the best route to long-term returns is through compounding and capital preservation. A consistent, bottom-up investment process based on fundamental company analysis and a long-term focus on quality has underpinned the team's investment approach since 1986. The experienced team is led by William Lock and is based in London.¹

Morgan Stanley Investment Funds (MS INVF)

PRODUCT	GLOBAL BRANDS – I SHARES	GLOBAL BRANDS EQUITY INCOME – Z SHARES	GLOBAL QUALITY – Z SHARES
Share Class ISIN (USD) (A B C I Z)	A: LU0119620416 B: LU0119620507 C: LU0176160306 I: LU0119620176 Z: LU0360482987	A: LU1378879321 B: LU1378879677 CR: LU1378879917 Z: LU1378880170	A: LU0955010870 B: LU0955010953 C: LU0955011092 Z: LU0955011258
Investment Focus	High-quality companies	High-quality companies plus enhanced income through conservative options strategy	High-quality companies
Portfolio Construction	Concentrated: target 100% compounders	Concentrated: target 100% compounders	Concentrated: target 100% compounders
Turnover Range	Approximately 20% per year	Approximately 20% per year	Approximately 20-30%
Philosophy/Process	<ul style="list-style-type: none"> No compromise in quality criteria: <ul style="list-style-type: none"> Minimal cyclicality Minimal capital intensity Dividend obligatory Management looking to sustain high returns ESG integrated 	<ul style="list-style-type: none"> No compromise in quality criteria: <ul style="list-style-type: none"> Minimal cyclicality and minimal capital intensity Dividend obligatory Management looking to sustain high returns Enhanced income generated from underlying sustainable dividends and premiums from selling index call options. ESG integrated 	<ul style="list-style-type: none"> Some flexibility: <ul style="list-style-type: none"> Moderate cyclicality Moderate capital intensity Dividend not obligatory Management looking to sustain high returns ESG integrated
AUM: Fund Strategy (\$MM)	\$10,224 \$18,887	\$138 \$145	\$1,602 \$8,228
Ongoing Charges ²	0.94%	1.00%	0.90%
Inception Dates: Fund Strategy	30/10/2000 31/03/1996	29/04/2016 29/04/2016	01/08/2013 30/06/2013
Benchmark	MSCI World Net Index	MSCI World Net Index	MSCI World Net Index
Morningstar Category	EEA Fund Sector Equity Consumer Goods & Services	EEA Fund Sector Equity Consumer Goods & Services	EEA Fund Global Large-Cap Blend Equity
Morningstar Overall Rating™ (# of funds)	★★★★★ (298 Funds)	N/A	★★★★★ (3,360 Funds)
Characteristics			
		FUND	BENCHMARK
P/E (NTM):		18.95	13.47
FCF Yield (%):		5.06	6.27
Dividend Yield (%):		2.39	2.94
Range of holdings:		20-40	–
Active share:		92.83	–
Annualized performance (%)		FUND	BENCHMARK
In USD	PERIOD	I SHARE CLASS	BENCHMARK
YTD:		-2.04	-8.71
1 yr:		-2.04	-8.71
3 yr:		9.07	6.30
5 yr:		7.65	4.56
10 yr:		12.25	9.67
Since inception:		10.02	4.19
Risk Statistics (5 years Global Brands and Global Quality)		FUND	BENCHMARK
Beta:		0.92	–
Standard deviation:		11.44	10.77
Sharpe Ratio:		0.62	0.37
Tracking error:		5.77	–
		Z SHARE CLASS	BENCHMARK
P/E (NTM):		18.95	13.47
FCF Yield (%):		5.06	6.27
Dividend Yield (%):		2.17	2.66
Range of holdings:		20-40	–
Active share:		92.83	–
Annualized performance (%)		Z SHARE CLASS	BENCHMARK
In USD	PERIOD	Z SHARE CLASS	BENCHMARK
YTD:		-3.07	-8.71
1 yr:		-3.07	-8.71
3 yr:		7.64	6.30
5 yr:		6.36	4.56
Since inception:		7.53	6.00
Beta:		0.93	–
Standard deviation:		11.07	10.77
Sharpe Ratio:		0.52	0.37
Tracking error:		4.81	–

Source: Morgan Stanley Investment Management

Past performance is not a reliable indicator of future results. Returns may increase or decrease as a result of currency fluctuations. 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.

¹ Team members are subject to change from time to time without notice.

² Ongoing Charges reflect the payments and expenses incurred during the fund's operation and are deducted from the assets of the fund over the period. It includes fees paid for investment management (Management Fee), trustee/custodian, and administration charges. For more information please see the Charges and Expenses section of the prospectus.

12 Month Performance Periods to Latest Month End (%)

	DEC '17–DEC '18	DEC '16–DEC '17	DEC '15–DEC '16	DEC '14–DEC '15	DEC '13–DEC '14
Global Brands Fund - Class I	-2.04	26.00	5.11	5.72	5.39
Global Brands Equity Income Fund - Class Z	-3.07	22.60	–	–	–
Global Quality Fund - Class Z	-2.17	23.00	3.64	5.39	3.56
MSCI World Net Index	-8.71	22.40	7.51	-0.87	4.94

RISK CONSIDERATIONS

- The value of financial derivative instruments are highly sensitive and may result in losses in excess of the amount invested by the Sub-Funds.
- The funds rely 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 funds ability to buy or sell securities.
- Investment in China A-Shares via Shanghai-Hong Kong Stock Connect program may also entail additional risks, such as risks linked to the ownership of shares.
- The derivative strategy aims to increase the income paid to investors, but there is potential for the funds to suffer losses.
- 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 Funds 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.

INDEX INFORMATION

The **MSCI World Net Index** is a free float adjusted market capitalization weighted index that is designed to measure the global equity market performance of developed markets. The term "free float" represents the portion of shares outstanding that are deemed to be available for purchase in the public equity markets by investors.

DEFINITIONS

Active share is a measure of the percentage of stock holdings in a managers portfolio that differ from the benchmark index (based on holdings and weight of holdings). Active Share scores range from 0%-100%. A score of 100% means you are completely different from the benchmark. Active Share calculation may consolidate holdings with the same economic exposure. **Beta** is a measure of the relative volatility of a fund to the market's upward or downward movements. A beta greater than 1.0 identifies an issue or fund that will move more than the market, while a beta less than 1.0 identifies an issue or fund that will move less than the market. The Beta of the Market is always equal to 1. **Dividend yield** is the ratio between how much a company pays out in dividends each year relative to its share price. **Free cash flow (FCF) yield** is a financial ratio that measures a company's operating free cash flow minus its capital expenditures per share and dividing by its price per share. Free cash flow yield ratio is calculated by using the underlying securities of the fund. **Price/earnings (P/E) (NTM)** is the price of a stock divided by its earnings per share for the past 12 months. Sometimes called the multiple, P/E gives investors an idea of how much they are paying for a company's earning power. The higher the P/E, the more investors are paying, and therefore the more earnings growth they are expecting. **Range of holdings** provided are a typical range, not a maximum number. The portfolio may exceed this from time to time due to market conditions and outstanding trades. **Sharpe ratio** is a risk-adjusted measure calculated as the ratio of excess return to **standard deviation**. The Sharpe ratio determines reward per unit of risk. The higher the Sharpe ratio, the better the historical risk-adjusted performance. Standard deviation measures how widely individual performance returns, within a performance series, are dispersed from the average or mean value. **Tracking error** is the standard deviation of the difference between the returns of an investment and its benchmark.

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EEA Fund Global Large-Cap Blend Equity: Class Z Shares 3 year 5 stars out of 3,360 funds, 5 year 5 Stars out of 2,474 funds.