

Morgan Stanley

INVESTMENT MANAGEMENT

Morgan Stanley Investment Funds (MS INVF)

Global Brands Fund



A Concentrated, High-Quality Fund Offering Long-Term Return Potential

We believe a portfolio of high quality, well managed companies has the potential to generate attractive long-term performance with reduced downside participation in challenging markets. We focus on the sustainability and direction of future returns, as we believe that companies with the ability to grow at sustainably high returns on operating capital with low volatility should compound over the long term.

High-Quality Companies

We consider high-quality companies to be rare. In our view, a high quality company should exhibit the following:

Companies with:

- Powerful, hard-to-replicate intangible assets, notably brands and networks.
- Pricing power
- Predictable sales driven by recurring revenues
- Reasonable growth potential
- Robust balance sheets
- Capable management

Should deliver:

- High and sustainable returns on operating capital employed
- High gross margins
- Predictable and steady sales growth
- Low volatility of EBITA
- Strong free cash flow generation
- Money returned to shareholders

Management Matters

We believe the quality of a company's management is critical. When evaluating management, we seek evidence of good capital allocation and distribution practices, as well as remuneration or incentive policies aligned with their shareholders. We believe most management teams act in line with their incentives, so we seek to understand what behaviour will be incentivised by a company's remuneration policy.

Valuation Discipline

We believe there is an inherent risk of overpaying for a high-quality stock. In our opinion, the most accurate manner in which to measure value is on an absolute basis. We use free cash flows rather than reported accounting earnings as our primary valuation metric and conduct ongoing and rigorous fundamental analysis to assess the fair value of each company.

ESG Integration

We believe that understanding and integrating environmental, social and

governance (ESG) factors is essential to long-term compounding. ESG is fully integrated into the Global Brands investment process. Our view on ESG is not determined by third party scores but by our portfolio managers, who are attuned to the material issues and opportunities of the companies they research.

An Absolute Approach to Risk

We manage risk first and foremost at the company level, aiming to avoid companies where any form of franchise, regulatory or management risk could result in diminishing returns. ESG considerations are integrated into our risk assessment process, since any material weakness in ESG areas could potentially threaten the direction and sustainability of returns. We do not worry about relative risk (tracking error), shortterm macro noise, or the latest fad.

Compounders Tend to be Concentrated in a Few Sectors

COMPOUNDER-RICH	
Key industries <ul style="list-style-type: none"> • Beverages • Tobacco • Personal Care • Software 	Attributes <ul style="list-style-type: none"> • Capital-light innovation • Pricing power
SOME COMPOUNDERS	
Key industries <ul style="list-style-type: none"> • Media/Publishing • IT Services • Health Care • Industrials 	Attributes <ul style="list-style-type: none"> • Some compounding niches • Sustainability of high return on operating capital is often a concern
COMPOUNDER-LIGHT	
Key industries <ul style="list-style-type: none"> • Financials • Utilities • Telecoms • Materials/Energy 	Attributes <ul style="list-style-type: none"> • Low unlevered ROOCE • High cyclicality • Limited pricing power

This represents how the portfolio management team generally implements its investment process under normal market conditions and is being provided for informational purposes only.

Morningstar Overall Rating***CLASS I SHARES**

EAA Fund Global Large-Cap Growth Equity
Out of 1254 Funds. Based on Risk Adjusted Return.
Ratings as of 30/06/2020.

**Investment Team****INVESTMENT EXPERIENCE**

William Lock, Head of International Equity Team	28 years
Bruno Paulson, Managing Director	26 years
Dirk Hoffmann-Becking, Executive Director	22 years
Nic Sochovsky, Managing Director	22 years
Vladimir A. Demine, Head of ESG Research	18 years
Nathan Wong, Executive Director	20 years
Marcus Watson, Executive Director	12 years
Alex Gabriele, Executive Director	11 years
Richard Perrott, Executive Director	14 years
Fei Teng, Senior Associate	7 years
Helena Miles, Senior Associate	7 years

Team members may be subject to change at any time without notice.

Differentiators**1. Truly Active Management**

Our exacting criteria and clear investment process creates a concentrated portfolio highly differentiated from the benchmark.

2. A Focus on the Risks That Matter

In our view, relative measures of risk fail to capture the possibility of a permanent loss of capital. To minimise this risk, we focus on the sustainability of company returns. We have engaged directly with companies on issues of sustainability and governance for over 20 years.

3. Sustainably Long Term, Not Tactically Short Term

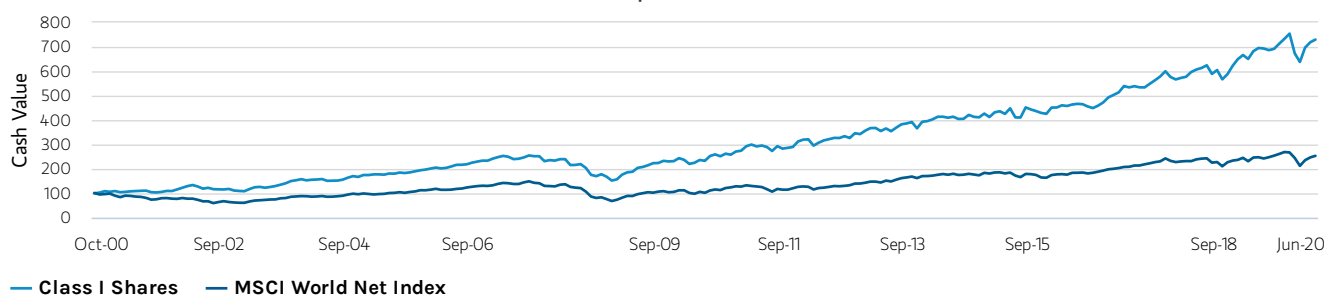
We believe that high-quality companies, which exhibit characteristics including strong franchise durability, high and recurring cash flow generation, low capital intensity and minimal financial leverage, have the potential for sustainable long-term returns across market cycles.

4. Patience

Our long-term investment horizon allows portfolio holdings the time to compound shareholder wealth. The annual turnover of the Fund is typically 20-25%.

5. A Strong Heritage of Quality Investing

The strategy has an unchanged investment philosophy stretching back over two decades.

MS INVF Global Brands Fund**Class I (% net of fees) Performance of 100 USD Invested Since Inception (30 October 2000)****12 Month Performance Periods to Latest Month End (%)**

	JUNE '19 - JUNE '20	JUNE '18 - JUNE '19	JUNE '17 - JUNE '18	JUNE '16 - JUNE '17	JUNE '15 - JUNE '16
Class I Shares	6.99	14.24	11.82	16.63	7.61
MSCI World Net Index	2.84	6.33	11.09	18.20	-2.78

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. All data is as of 30 June 2020 and subject to change daily. Please visit our website 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 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 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.

DEFINITIONS

Free cash flow is a measure of a company's financial performance, calculated as operating cash flow minus capital expenditures. It represents the cash that a company is able to generate after spending the money required to maintain or expand its asset base. **Margin** is the difference between a product or service's selling price and its cost of production or to the ratio between a company's revenues and expenses. **Return on operating capital employed (ROOCE)** is a ratio indicating the efficiency and profitability of a company's trade working capital. It is calculated as earnings before interest and taxes/ property, plant and equipment plus trade working capital (ex-financials and excluding goodwill). **Tracking error** is the standard deviation of the difference between the returns of an investment and its benchmark. **Upside capture** is the statistical measure of an investment manager's overall performance in up markets. The upside capture ratio is used to evaluate how well an investment manager performed relative to an index during periods when that index has risen. **Volatility** is a statistical measure of the dispersion of returns for a given security or market index.

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. The performance of the Index is listed in U.S. dollars and assumes reinvestment of net dividends. The index is unmanaged and does not include any expenses, fees or sales charges. It is not possible to invest directly in an index.

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Applications for shares in the Fund should not be made without first consulting the current Prospectus, Key Investor Information Document ("KIID"), Annual Report and Semi-Annual Report ("Offering Documents"), or other documents available in your local jurisdiction which is available free of charge from the Registered Office: European Bank and Business Centre, 6B route de Trèves, L-2633 Senningerberg, R.C.S. Luxembourg B 29 192. In addition, all Italian investors should refer to the 'Extended Application Form', and all Hong Kong investors should refer to the 'Additional Information for Hong Kong Investors' section, outlined within the Prospectus. Copies of the Prospectus, KIID, the Articles of Incorporation and the annual and semi-annual reports, in German, and further information can be obtained free of charge from the representative in Switzerland. The representative in Switzerland is Carnegie Fund Services S.A., 11, rue du Général-Dufour, 1204 Geneva. The paying agent in Switzerland is Banque Cantonale de Genève, 17, quai de l'Île, 1204 Geneva. The document has been prepared solely for informational purposes and does not constitute an offer or a recommendation to buy or sell any particular security or to adopt any specific investment strategy.

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