

Morgan Stanley

INVESTMENT MANAGEMENT

MORGAN STANLEY INVESTMENT FUNDS (MS INVF)

# Emerging Leaders Equity Fund

At Morgan Stanley Investment Management, our Global Emerging Markets team takes a benchmark-agnostic approach to focus on the future drivers of growth across the emerging markets.

ACTIVE FUNDAMENTAL EQUITY  
GLOBAL EMERGING MARKETS  
INVESTMENT IDEA  
DECEMBER 2020

ISIN CODES

Class A	LU0815263628
Class AH (EUR)	LU0815264352
Class B	LU0815263891
Class BH (EUR)	LU0815264600
Class C	LU0819839092
Class CH (EUR)	LU0845089340
Class I	LU0864381354
Class IH (EUR)	LU1361209056
Class N	LU0947203898
Class Z	LU0815264279
Class ZH (EUR)	LU0877222447
Class ZH (GBP)	LU1341423918
Class ZH3 (BRL)	LU2238024199



OVERALL MORNINGSTAR RATING FOR THE Z SHARE CLASS

## Finding Future Growth

Finding future growth has become more challenging. While some areas within the emerging markets are growing faster than in the last decade, others have slowed significantly. By taking a benchmark-agnostic view that focuses on quality companies, our team seeks to target pockets of growth and build an active, focused portfolio of companies best positioned to benefit from that growth.

We believe this differentiated approach has improved our ability to compound returns, decrease volatility and earn higher, more stable returns for our investors over time.

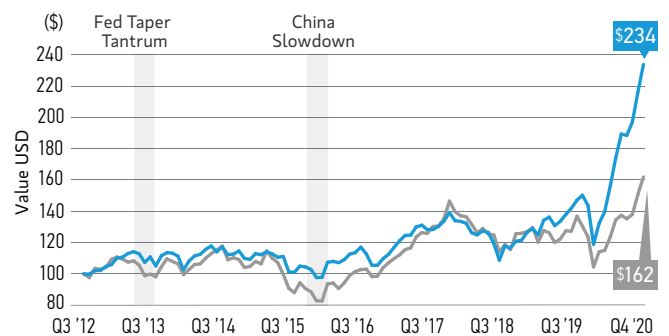
### MS INVF Emerging Leaders Equity Fund<sup>1</sup>

**1 Forward-looking thematic growth**  
We identify the best available investment growth themes in the emerging markets, and carry out extensive bottom-up research to select the stocks that we believe are best positioned to benefit. We seek to avoid cyclical business models that can destroy shareholder value during down markets.

**2 Focus on high quality companies**  
We expand the universe to include companies that earn a majority of their revenues from emerging markets, but target only 25 to 40 companies with a focus on growth and quality. Our approach is risk-managed and unencumbered by a benchmark, with a high tracking error and low standard deviation.

**3 Compounding effects**  
Our investment process enforces discipline on the entry/exit prices and our focus on high quality companies has enabled the strategy to reduce some of the volatility inherent in emerging market equities. This investment discipline has demonstrated, through multiple periods of market dislocations, the ability to achieve a strong risk adjusted profile, including the mitigation of significant drawdowns.

### Aiming to mitigate downside risk has led to higher, more stable returns over time—the power of compounding



### Returns during the worst quarters for MSCI EM Index (Since August 2012)

	FED TAPER TANTRUM	CHINA SLOWDOWN
Fund (Class Z shares)	-5.1%	-8.9%
Benchmark	-8.1%	-17.9%

<sup>1</sup> This information represents how the portfolio management team generally implements its investment process under normal market conditions. The targets presented are typical ranges.

Past performance is not indicative of future results and current performance may be lower or higher than the figures shown.

Source: Morgan Stanley Investment Management. Performance returns reflect the average annual rates of return. The portfolio shown is net of investment advisory fees, is quoted in U.S.\$ and includes the reinvestment of dividends and income. The comparison index is the MSCI Emerging Markets Net Index with cumulative dividends reinvested. MS INVF Emerging Leaders Equity Class Z shares cumulative returns in up months is 610.6% since August 2012. For the MSCI Emerging Markets Index, the cumulative returns in up months is 720.5%. Please see back for standardized performance.

## Investment Team

The MS INVF Emerging Leaders Equity Fund is managed by Vishal Gupta along with senior members of the Global Emerging Markets team.



### VISHAL GUPTA

Managing Director

Joined the firm in 2014,  
16 years of financial industry experience.

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

## Performance – Class Z (% net of fees)

Average annual total return (Periods ending 31 December 2020)

	YTD	1 YEAR	3 YEARS	5 YEARS	SINCE INCEPTION (17/08/2012)
MS INVF Emerging Leaders Equity Fund	58.88	58.88	20.46	17.83	10.67
MSCI Emerging Markets Net Index	18.31	18.31	6.17	12.81	5.92
Morningstar Diversified Emerging Markets	17.15	17.15	5.37	11.23	5.32

## Fund Snapshot<sup>2</sup>

Number of Holdings	32
Active Share (%)	80.20
Standard Deviation (%)	21.01
Standard Deviation (Benchmark) (%)	19.88

<sup>2</sup> As of 31 December 2020. Standard deviation is for three-year period.

## 12 Month Performance Periods to Latest Month End (%)

	DEC '15-DEC '16	DEC '16-DEC '17	DEC '17-DEC '18	DEC '18-DEC '19	DEC '19-DEC '20
MS INVF - Emerging Leaders Equity Fund - Z	2.53	26.73	-12.78	26.14	58.88
MSCI Emerging Markets Net Index	11.19	37.28	-14.57	18.42	18.31

Source: Morgan Stanley Investment Management. Returns for less than one year are cumulative (unannualized). Performance of other share classes will vary. 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. Morningstar compares mutual funds within a universe of funds with similar investment objectives, including dividend reinvestment. Past performance is no guarantee of future results. Morningstar rankings and ratings may vary for other share classes.

## Risk Considerations

- 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.
- 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.

## DEFINITIONS

**Active Share** is the fraction of the portfolio or fund that is invested differently than its benchmark as of the last day of the reporting period. A portfolio with a high degree of Active share does not assure a fund's relative outperformance. Active Share calculation may consolidate holdings with the same economic exposure. **ISIN** is the international securities identification number (ISIN), a 12 digit code consisting of numbers and letters that distinctly identifies securities. **NAV** is the Net Asset Value per share of the Fund (NAV), which represents the value of the assets of a fund less its liabilities. **Number of holdings** provided is a typical range, not a maximum number. **Targets** are typical ranges. There is no assurance that these targets will be attained. **Tracking Error** is the standard deviation of the difference between the returns of an investment and its benchmark. Up-capture ratio upside/downside market capture measures performance in up/ down markets relative to the market benchmark. **Volatility (Standard deviation)** measures how widely individual performance returns, within a performance series, are dispersed from the average or mean value.

## INDEX INFORMATION

The **MSCI Emerging Markets Net Index** is a free float-adjusted market capitalization weighted index that is designed to measure equity market performance of emerging 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 MSCI Emerging Markets Index currently consists of 23 emerging-market country indices. The performance of the index is listed in U.S. dollars and assumes reinvestment of net dividends. The index does not include any expenses, fees or sales charges, which would lower performance. The index is unmanaged and should not be considered an investment. It is not possible to invest directly in an index.

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