

Counterpoint Global Insights

Case Study: CRISPR

EDGE | JANUARY 2017

WELCOME TO THE EDGE.

Morgan Stanley Investment Management's Counterpoint Global shares their proprietary views on a big idea that has the potential to trigger far-reaching consequences—ideas such as autonomous vehicles, artificial intelligence, robotics and bioengineering.

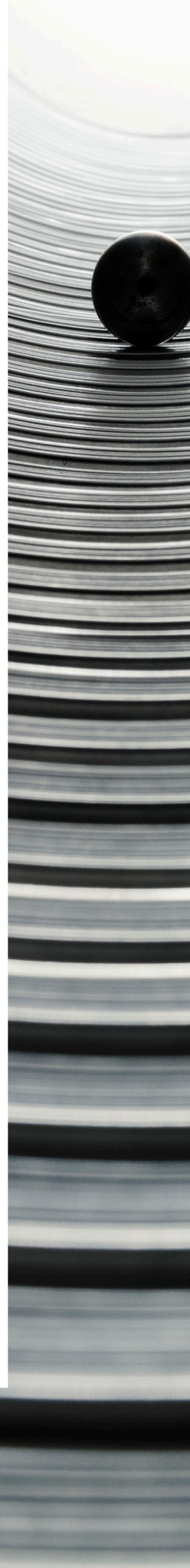
Counterpoint Global's long-term ownership mindset emphasizes perspective, insight and thinking across categories, while our investment process focuses on identifying unique companies with sustainable competitive advantages. Through The EDGE, we share our framework for thinking about change and our process for recognizing patterns that may drastically alter the investment landscape over the longer term.

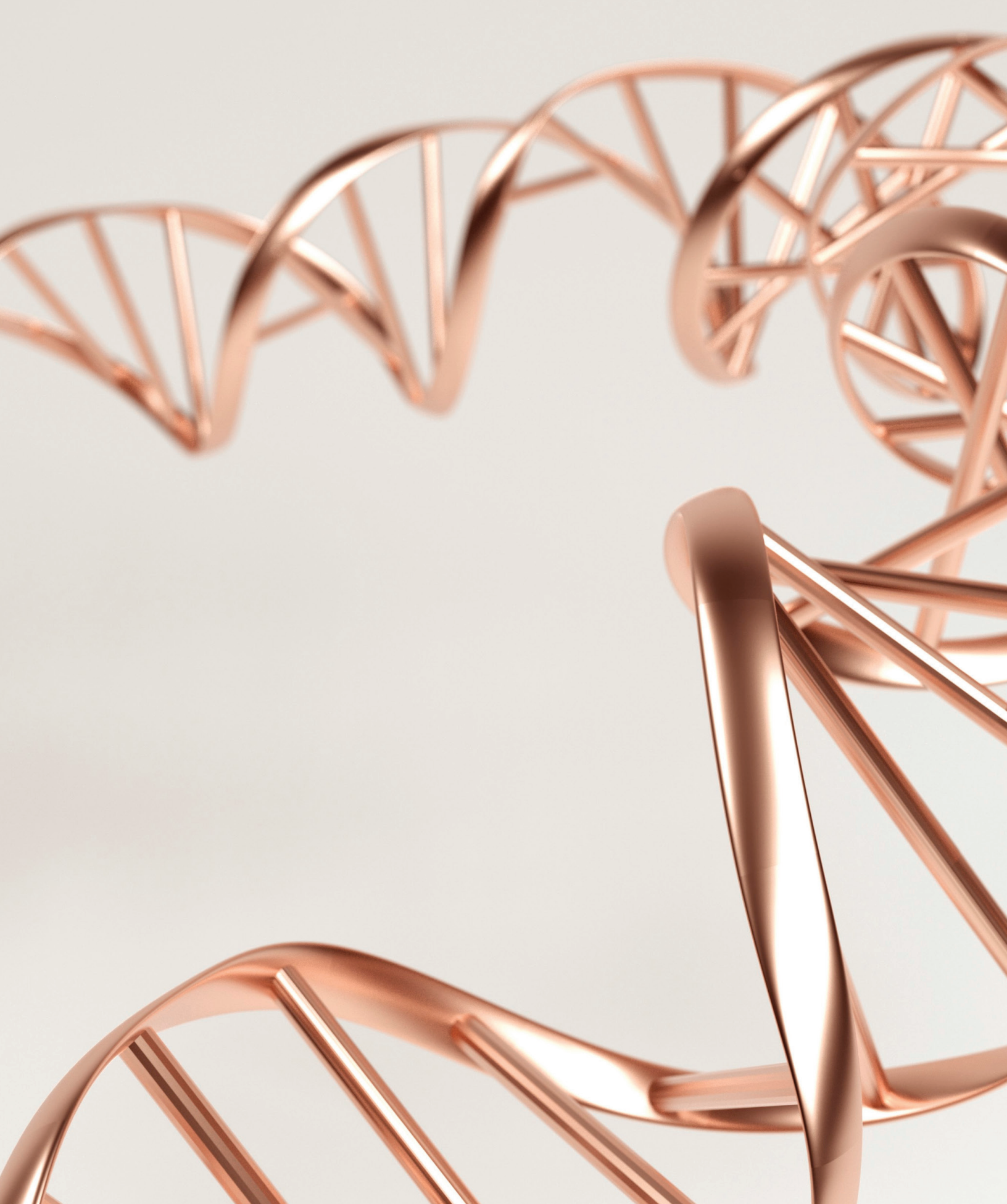
This work complements our team's more traditional, fundamental research to create a framework for long-term investing that is grounded in intellectual curiosity and flexibility, perspective, self-awareness and partnership.

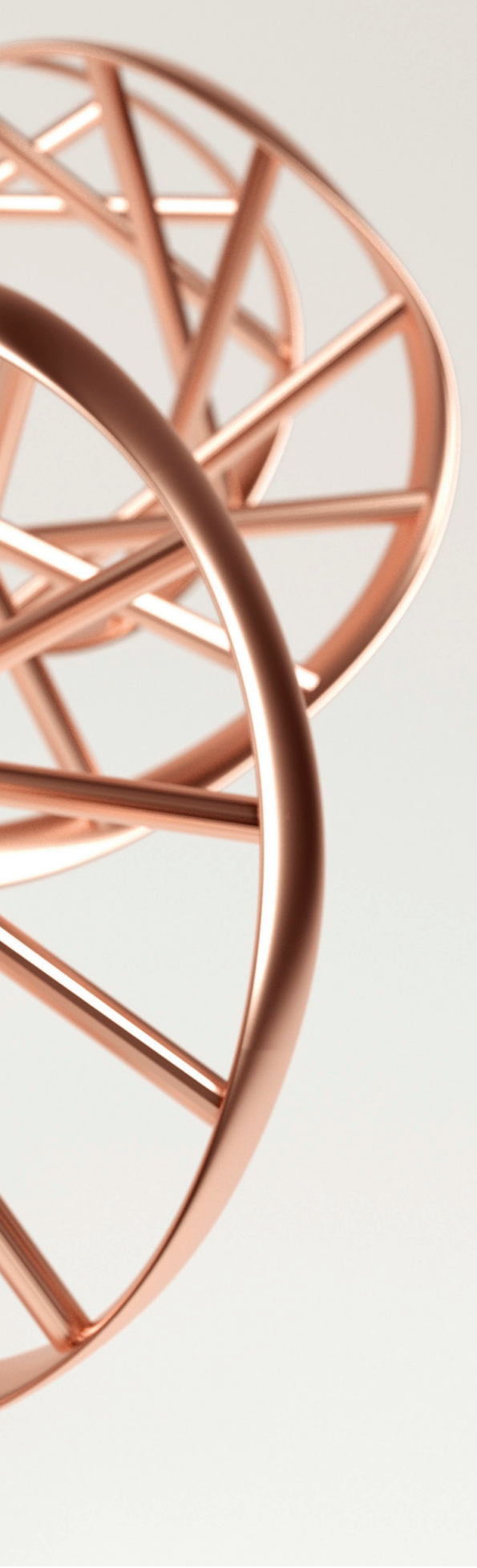
Clustered regularly interspaced short palindromic repeats (CRISPR) is a new tool for genetic research that allows scientists to locate specific segments of DNA and then replace or delete those segments. It enables scientists to alter organisms for either therapeutic or research purposes, both before and after they have developed. For investors, it has the potential to birth new industries and disrupt existing medical treatments.

CRISPR is a string of DNA that was originally discovered as part of a bacterium's immune system. Using this simple string of DNA, bioengineers figured out how to repurpose the immune system to have it target select strands of human, animal or plant DNA instead of the natural threats to bacteria. They can thus locate specific portions of a human genome—the blueprint of the human body. Cells use DNA, which is the language of the blueprint, to construct organs and enable the various functions of the body. CRISPR allows scientists to read, write and edit this blueprint. ►

The views and opinions and/or analysis expressed herein are those of the investment team as of the date of preparation of this material, are subject to change at any time without notice due to market or economic conditions, and may not necessarily come to pass.







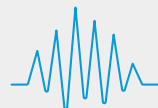
► This breakthrough creates an opportunity for innovations to flourish. Some of the first applications of CRISPR have been in agriculture, where genetic modifications are being made to crops. Imagine an apple that doesn't brown or crops that are mildew resistant. For diseases caused by known faulty mutations—"typos" in the three-billion letter sequence of the human genome—such as cystic fibrosis, hemophilia and Tay-Sachs disease, CRISPR offers therapeutic opportunities. Once the "typos" are located, they can either be excised or altered. This treatment could radically disrupt existing therapeutics, many of which treat symptoms rather than underlying causes. The technology can even be used to target viruses, such as HIV. Such disruption would be a detriment to the annuity streams of many pharmaceutical companies. More utopian or dystopian is the possibility of "designer babies"—allowing parents to choose the traits and qualities they want in their children.

This breakthrough creates an opportunity for innovations to flourish.

To be sure, there are a number of causes for doubt. Ethical questions could bring on regulatory scrutiny. There is also legal uncertainty over the intellectual property; the Supreme Court and Congress may have to clarify the patentability of CRISPR. Finally, science is generally incremental, and there are few paradigm shifts that change things overnight.

CRISPR is still in its early stages, with the first clinical trial receiving approval in June 2016. Short of some miracle breakthrough, it could be years before treatments are approved. Other segments, like agriculture, may move faster.

We will continue to monitor the scientific and clinical research that is being conducted and are mindful of the tremendous potential here.



OTHER DISRUPTORS

Other themes the team is currently researching include

- Blockchain
- Machine Learning
- Autonomous Vehicles

Risk Considerations

There is no assurance that a Portfolio will achieve its investment objective. Portfolios are subject to **market risk**, which is the possibility that the market values of securities owned by the Portfolio will decline and that the value of Portfolio shares may therefore be less than what you paid for them. Market values can change daily due to economic and other events (e.g. natural disasters, health crises, terrorism, conflicts and social unrest) that affect markets, countries, companies or governments. It is difficult to predict the timing, duration, and potential adverse effects (e.g. portfolio liquidity) of events. Accordingly, you can lose money investing in this Portfolio. Please be aware that this Portfolio may be subject to certain additional risks. In general, **equities securities'** values also fluctuate in response to activities specific to a company. Investments in **foreign markets** entail special risks such as currency, political, economic, market and liquidity risks. The risks of investing in **emerging market countries** are greater than risks associated with investments in foreign developed countries. **Privately placed and restricted securities** may be subject to resale restrictions as well as a lack of publicly available information, which will increase their illiquidity and could adversely affect the ability to value and sell them (liquidity risk). **Derivative instruments** may disproportionately increase losses and have a significant impact on performance. They also may be subject to counterparty, liquidity, valuation, correlation and market risks. **Illiquid securities** may be more difficult to sell and value than public traded securities (liquidity risk). The **healthcare industry** can be affected by various political, economic, regulatory, and supply-and-demand factors. Furthermore, it can be subject to government approval of products and services, which could have an effect on price and availability, and can be affected by rapid obsolescence and patent expirations.

Counterpoint Global

| INVESTORS | FUNDAMENTAL RESEARCH RESPONSIBILITIES | YEARS OF EXPERIENCE | YEARS WITH FIRM | YEARS WITH TEAM |
|--|--|---------------------|-----------------|-----------------|
| DENNIS LYNCH | Lead Investor Head of Counterpoint Global | 31 | 27 | 27 |
| SAM CHAINANI | Head of Counterpoint Global ~ New York, Technology | 29 | 29 | 25 |
| JASON YEUNG | Health Care | 28 | 23 | 21 |
| ARMISTEAD NASH | Business Services, Software | 25 | 23 | 21 |
| DAVID COHEN | Consumer | 37 | 32 | 26 |
| ALEX NORTON | Consumer, Industrials, Technology (ex Software) | 30 | 25 | 25 |
| MANAS GAUTAM | Head of Global Endurance, Generalist | 13 | 10 | 10 |
| ANNE EDELSTEIN | Co-Head of Vitality, Health Care | 14 | 7 | 7 |
| JENNY LEEDS | Co-Head of Vitality, Health Care | 9 | 6 | 6 |
| ABHIK KUMAR | Software, Media | 16 | 6 | 6 |
| JOSHUA JARRETT | Director of Research, Generalist | 20 | 5 | 5 |
| RUOBING CHANG | Internet | 13 | 9 | 5 |
| ALEKS SAMETS | Payments | 5 | 5 | 5 |
| BETH FIFER | Health Care | 13 | 4 | 4 |
| MUHAMMADRAZA PANJU | Internet | 6 | 4 | 4 |
| PETE STOVELL | Generalist | 31 | 4 | 4 |
| MICHAEL MORITZ | Generalist | 7 | 3 | 3 |
| GINO GRAZIADIO | Generalist | 1 | 1 | 1 |
| CONSILIENT RESEARCH | | | | |
| MICHAEL MAUBOUSSIN | Head of Consilient Research | 39 | 5 | 5 |
| DAN CALLAHAN | Consilient Research | 20 | 5 | 5 |
| DISRUPTIVE CHANGE RESEARCH | | | | |
| STAN DELANEY | Big Ideas, Emerging Themes | 24 | 24 | 21 |
| SASHA COHEN | Big Ideas, Emerging Themes | 8 | 8 | 8 |
| JUSTIN AMEZQUITA | Big Ideas, Emerging Themes | 5 | 5 | 5 |
| SUSTAINABILITY RESEARCH | | | | |
| THOMAS KAMEI | Head of Sustainability Research, Tailwinds | 13 | 13 | 13 |
| DERRICK MAYO | Sustainability Research | 20 | 11 | 4 |
| CLIENT RELATIONSHIP & BUSINESS MANAGEMENT | | | | |
| MARK TODTFELD | Chief Operating Officer | 30 | 20 | 6 |
| KERRY ANN JAMES | Head of Client Relations, Portfolio Specialist | 28 | 8 | 4 |
| PRAJAKTA NADKARNI | Portfolio Specialist | 21 | 18 | 14 |
| MICK MORAN | Portfolio Specialist | 11 | 11 | 3 |
| MCKENZIE BURKHARDT | Portfolio Specialist | 22 | 22 | 22 |
| XAVIER SALAZAR | Portfolio Analyst | 7 | 7 | 3 |
| KATHRYNE HORAN | Portfolio Specialist ~ Global Endurance | 13 | 13 | 3 |
| EARL PRYCE | Portfolio Administrator | 25 | 25 | 18 |
| CHAYSE MORGAN | Portfolio Administrator | 5 | 5 | 5 |
| ERICA CASARENO | Portfolio Administrator | 3 | 3 | 3 |
| AMBER YANG | Business Management | 15 | 7 | 4 |

"Investor" refers to an analyst or portfolio manager of Counterpoint Global.

Team members may change without notice from time to time. Years of Experience listed above refers to Industry Experience.

Years of Experience, Years with Firm and Years with Team are as of December 31, 2024.

DISTRIBUTION

This material is only intended for and will only be distributed to persons resident in jurisdictions where such distribution or availability would not be contrary to local laws or regulations. MSIM, the asset management division of Morgan Stanley (NYSE: MS), and its affiliates have arrangements in place to market each other's products and services. Each MSIM affiliate is regulated as appropriate in the jurisdiction it operates. MSIM's affiliates are: Eaton Vance Management (International) Limited, Eaton Vance Advisers International Ltd, Calvert Research and Management, Eaton Vance Management, Parametric Portfolio Associates LLC, and Atlanta Capital Management LLC.

This material has been issued by any one or more of the following entities:

EMEA

This material is for Professional Clients/Accredited Investors only.

In the EU, MSIM and Eaton Vance materials are issued by MSIM Fund Management (Ireland) Limited ("FMIL"). FMIL is regulated by the Central Bank of Ireland and is incorporated in Ireland as a private company limited by shares with company registration number 616661 and has its registered address at 24-26 City Quay, Dublin 2, D02 NY19, Ireland.

Outside the EU, MSIM materials are issued by Morgan Stanley Investment Management Limited (MSIM Ltd) is authorised and regulated by the Financial Conduct Authority. Registered in England. Registered No. 1981121. Registered Office: 25 Cabot Square, Canary Wharf, London E14 4QA.

In Switzerland, MSIM materials are issued by Morgan Stanley & Co. International plc, London (Zurich Branch) Authorised and regulated by the Eidgenössische Finanzmarktaufsicht ("FINMA"). Registered Office: Beethovenstrasse 33, 8002 Zurich, Switzerland.

Outside the US and EU, Eaton Vance materials are issued by Eaton Vance Management (International) Limited ("EVM") 125 Old Broad Street, London, EC2N 1AR, UK, which is authorised and regulated in the United Kingdom by the Financial Conduct Authority.

Italy: MSIM FMIL (Milan Branch), (Sede Secondaria di Milano) Palazzo Serbelloni Corso Venezia, 16 20121 Milano, Italy. **The Netherlands:** MSIM FMIL (Amsterdam Branch), Rembrandt Tower, 11th Floor Amstelplein 11096HA, Netherlands. **France:** MSIM FMIL (Paris Branch), 61 rue de Monceau 75008 Paris, France. **Spain:** MSIM FMIL (Madrid Branch), Calle Serrano 55, 28006, Madrid, Spain. **Germany:** MSIM FMIL Frankfurt Branch, Große Gallusstraße 18, 60312 Frankfurt am Main, Germany (Gattung: Zweigniederlassung (FDI) gem. § 53b KWG). **Denmark:** MSIM FMIL (Copenhagen Branch), Gorrissen Federspiel, Axel Towers, Axelortv2, 1609 Copenhagen V, Denmark.

MIDDLE EAST

Dubai: MSIM Ltd (Representative Office, Unit Precinct 3-7th Floor-Unit 701 and 702, Level 7, Gate Precinct Building 3, Dubai International Financial Centre, Dubai, 506501, United Arab Emirates. Telephone: +97 (0)14 709 7158).

This document is distributed in the Dubai International Financial Centre by Morgan Stanley Investment Management Limited (Representative Office), an entity regulated by the Dubai Financial Services Authority ("DFSA"). It is intended for use by professional clients and market counterparties only. This document is not intended for distribution to retail clients, and retail clients should not act upon the information contained in this document.

This document relates to a financial product which is not subject to any form of regulation or approval by the DFSA. The DFSA has no responsibility for reviewing or verifying any documents in connection with this financial product. Accordingly, the DFSA has not approved this document or any other associated documents nor taken any steps to verify the information set out in this document, and has no responsibility for it. The financial product to which this document relates may be illiquid and/or subject to restrictions on its resale or transfer. Prospective purchasers should conduct their own due diligence on the financial product. If you do not understand the contents of this document, you should consult an authorised financial adviser.

U.S.

NOT FDIC INSURED | OFFER NO BANK GUARANTEE | MAY LOSE VALUE | NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY | NOT A DEPOSIT

Latin America (Brazil, Chile Colombia, Mexico, Peru, and Uruguay)

This material is for use with an institutional investor or a qualified investor only. All information contained herein is confidential and is for the exclusive use and review of the intended addressee, and may not be passed on to any third party. This material is provided for informational purposes only and does not constitute a public offering, solicitation or recommendation to buy or sell for any product, service, security and/or strategy. A decision to invest should only be made after reading the strategy documentation and conducting in-depth and independent due diligence.

ASIA PACIFIC

Hong Kong: This material is disseminated by Morgan Stanley Asia Limited for use in Hong Kong and shall only be made available to "professional investors" as defined under the Securities and Futures Ordinance of Hong Kong (Cap 571). The contents of this material have not been reviewed nor approved by any regulatory authority including the Securities and Futures Commission in Hong Kong. Accordingly, save where an exemption is available under the relevant law, this material shall not be issued, circulated, distributed, directed at, or made available to, the public in Hong Kong. **Singapore:** This material is disseminated by Morgan Stanley Investment Management Company and should not be considered to be the subject of an invitation for subscription or purchase, whether directly or indirectly, to the public or any member of the public in Singapore other than (i) to an institutional investor under section 304 of the Securities and Futures Act, Chapter 289 of Singapore ("SFA"); (ii) to a "relevant person" (which includes an accredited investor) pursuant to section 305 of the SFA, and such distribution is in accordance with the conditions specified in section 305 of the SFA; or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA. This publication has not been reviewed by the Monetary Authority of Singapore. **Australia:** This material is provided by Morgan Stanley Investment Management (Australia) Pty Ltd ABN 22122040037, AFSL No. 314182 and its affiliates and does not constitute an offer of interests. Morgan Stanley Investment Management (Australia) Pty Limited arranges for MSIM affiliates to provide financial services to Australian wholesale clients. Interests will only be offered in circumstances under which no disclosure is required under the Corporations Act 2001 (Cth) (the "Corporations Act"). Any offer of interests will not purport to be an offer of interests in circumstances under which disclosure is required under the Corporations Act and will only be made to persons who qualify as a "wholesale client" (as defined in the Corporations Act). This material will not be lodged with the Australian Securities and Investments Commission.

Japan: For professional investors, this material is circulated or distributed for informational purposes only. For those who are not professional investors, this material is provided in relation to Morgan Stanley Investment Management (Japan) Co., Ltd. ("MSIMJ")'s business with respect to discretionary investment management agreements ("IMA") and investment advisory agreements ("IAA"). This is not for the purpose of a recommendation or solicitation of transactions or offers any particular financial instruments. Under an IMA, with respect to management of assets of a client, the client prescribes basic management policies in advance and commissions MSIMJ to make all investment decisions based on an analysis of the value, etc. of the securities, and MSIMJ accepts such commission. The client shall delegate to MSIMJ the authorities necessary for making investment. MSIMJ exercises the delegated authorities based on investment decisions of MSIMJ, and the client shall not make individual instructions. All investment profits and losses belong to the clients; principal is not guaranteed. Please consider the investment objectives and nature of risks before investing. As an investment advisory fee for an IAA or an IMA, the amount of assets subject to the contract multiplied by a certain rate (the upper limit is 2.20% per annum (including tax)) shall be incurred in proportion to the contract period. For some strategies, a contingency fee may be incurred in addition to the fee mentioned above. Indirect charges also may be incurred, such as brokerage commissions for incorporated securities. Since these charges and expenses are different depending on a contract and other factors, MSIMJ cannot present the rates, upper limits, etc. in advance. All clients should read the Documents Provided Prior to the Conclusion of a Contract carefully before executing an agreement. This material is disseminated in Japan by MSIMJ, Registered No. 410 (Director of Kanto Local Finance Bureau (Financial Instruments Firms)), Membership: the Japan Securities Dealers Association, The Investment Trusts Association, Japan, the Japan Investment Advisers Association and the Type II Financial Instruments Firms Association.

IMPORTANT INFORMATION

There is no guarantee that any investment strategy will work under all market conditions, and each investor should evaluate their ability to invest for the long-term, especially during periods of downturn in the market.

A separately managed account may not be appropriate for all investors. Separate accounts managed according to the Strategy include a number of securities and will not necessarily track the performance of any index. Please consider the investment objectives, risks and fees of the Strategy carefully before investing. A minimum asset level is required.

For important information about the investment managers, please refer to Form ADV Part 2.

The views and opinions and/or analysis expressed are those of the author or the investment team as of the date of preparation of this material and are subject to change at any time without notice due to market or economic conditions and may not necessarily come to pass. Furthermore, the views will not be updated or otherwise revised to reflect information that subsequently becomes available or circumstances existing, or changes occurring, after the date of publication. The views expressed do not reflect the opinions of all investment personnel at Morgan Stanley Investment Management (MSIM) and its subsidiaries and affiliates (collectively "the Firm"), and may not be reflected in all the strategies and products that the Firm offers.

Forecasts and/or estimates provided herein are subject to change and may not actually come to pass. Information regarding expected market returns and market outlooks is based on the research, analysis and opinions of the authors or the investment team. These conclusions are speculative in nature, may not come to pass and are not intended to predict the future performance of any specific strategy or product the Firm offers. Future results may differ significantly depending on factors such as changes in securities or financial markets or general economic conditions.

This material has been prepared on the basis of publicly available information, internally developed data and other third-party sources believed to be reliable. However, no assurances are provided regarding the reliability of such information and the Firm has not sought to independently verify information taken from public and third-party sources.

This material is a general communication, which is not impartial and all information provided has been prepared solely for informational and educational purposes and does not constitute an offer or a recommendation to buy or sell any particular security or to adopt any specific investment strategy. The information herein has not been based on a consideration of any individual investor circumstances and is not investment advice, nor should it be construed in any way as tax, accounting, legal or regulatory advice. To that end, investors should seek independent legal and financial advice, including advice as to tax consequences, before making any investment decision.

Charts and graphs provided herein are for illustrative purposes only. **Past performance is no guarantee of future results.**

This material is not a product of Morgan Stanley's Research Department and should not be regarded as a research material or a recommendation.

The Firm has not authorised financial intermediaries to use and to distribute this material, unless such use and distribution is made in accordance with applicable law and regulation. Additionally, financial intermediaries are required to satisfy themselves that the information in this material is appropriate for any person to whom they provide this material in view of that person's circumstances and purpose. The Firm shall not be liable for, and accepts no liability for, the use or misuse of this material by any such financial intermediary.

This material may be translated into other languages. Where such a translation is made this English version remains definitive. If there are any discrepancies between the English version and any version of this material in another language, the English version shall prevail.

The whole or any part of this material may not be directly or indirectly reproduced, copied, modified, used to create a derivative work, performed, displayed, published, posted, licensed, framed, distributed or transmitted or any of its contents disclosed to third parties without the Firm's express written consent. This material may not be linked to unless such hyperlink is for personal and non-commercial use. All information contained herein is proprietary and is protected under copyright and other applicable law.

Morgan Stanley Investment Management is the asset management division of Morgan Stanley.

Explore our site at [**www.morganstanley.com/im**](https://www.morganstanley.com/im)