

Morgan Stanley Investment Funds

# Europe Opportunity Fund

**GLOBAL OPPORTUNITY**

## Performance Review

In the three month period ending 30 September 2024, the Fund's Z shares returned 4.87% (net of fees)<sup>1</sup>, while the benchmark returned 2.35%.

The Global Opportunity team creates a high conviction, concentrated portfolio of undervalued, high quality businesses. The long-term investment horizon and high active share approach can result in periods of performance deviation from the benchmark. The Fund outperformed the MSCI Europe Index this quarter due to favourable stock selection.

## Market Review

European equities advanced during the quarter, led higher by real estate, utilities and communication services. The information technology, energy and health care sectors declined, underperforming the benchmark.

## Portfolio Review

Stock selection in industrials and consumer discretionary, as well as an underweight allocation to energy, contributed positively to relative performance during the quarter. Top individual contributors included Danish transportation and logistics firm DSV A/S, Swedish audio streaming platform Spotify Technology SA, Swiss premium sports brand On Holding AG, global aesthetic dentistry provider Straumann Holding AG and Dutch payments solution provider Adyen NV.

Stock selection in information technology, an overweight allocation to consumer discretionary and an underweight position in financials were the greatest overall detractors from the relative performance of the portfolio during the quarter. Top individual detractors included live casino solutions provider Evolution AB, Dutch supplier of lithography equipment ASML Holding NV, German premium footwear manufacturer Birkenstock Holding Plc, Polish ecommerce platform Allegro.eu SA and luxury brand Moncler SpA.

Shares of top contributor DSV rallied on news of the company signing an agreement to acquire DB Schenker, the logistics unit of Germany's state-owned railway Deutsche Bahn, to create the world's largest freight forwarder. DSV A/S is a leading global asset light freight forwarder with a unique blend of people, processes and information technology services. DSV enjoys leading positions in air and sea logistics globally as a result of strategic acquisitions that have diversified the firm out of the core road forwarding business and enabled it to grow in scale, network and sophistication in digital capabilities, on top of industry consolidation trends. We believe the company's information technology platform, people and processes allow it to operate efficiently in the value-added activities in forwarding that have been more immune from digital disruptions and volatile market pricing. The company also maintains a shareholder-friendly capital allocation policy that combines share buybacks with stable dividends in the absence of value-accretive merger and acquisition (M&A) activity.

Detractor Evolution AB is a leading provider of live casino solutions for gaming operators across the globe. Evolution develops, produces, markets and licenses fully integrated business-to-business online casino solutions to more than 600 gaming operators globally.<sup>2</sup> The company's production studios broadcast live games, providing professional dealers to online gaming operators. We believe that Evolution AB is unique due to its engaging content and technological leadership, which is highly scalable and differentiates it from its peers. We believe the company can monetize its uniqueness and continue to benefit from increased live casino penetration of the global online gaming market. Additionally, we anticipate that the growing demand for high quality live casino experiences, driven by regulatory advancements and consumer preferences, could further enhance growth opportunities.

## Outlook

As a team, we continue to focus on bottom-up stock selection and the long-term outlook for companies owned in the portfolio. We assess company prospects over a five- to ten-year time horizon and own a portfolio of what we believe are undervalued, high quality companies with diverse business drivers not tied to any particular market environment.

**For further information, please contact your Morgan Stanley Investment Management representative.**

## Fund Facts

Launch date	08 April 2016
Base currency	Euro
Benchmark	MSCI Europe (Net) Index

<sup>1</sup> Source: Morgan Stanley Investment Management Limited. Data as of 30 September 2024.

<sup>2</sup> Source: Company website as of October 2024.

## Calendar Year Returns (%)

Past performance is not a reliable indicator of future results.

	YTD	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Class Z Shares	13.77	21.41	-39.97	24.21	41.12	30.08	-9.25	10.76	--	--	--
MSCI Europe (Net) Index	11.62	15.83	-9.49	25.13	-3.32	26.05	-10.57	10.24	--	--	--

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](http://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 fund may be impacted by movements in the exchange rates between the fund's currency and the currencies of the fund's investments.
- 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.
- Sustainability factors can pose risks to investments, for example: impact asset values, increased operational costs.
- There may be an insufficient number of buyers or sellers which may affect the fund's ability to buy or sell securities.
- Investments in China involves a risk of a total loss due to factors such as government action or inaction, market volatility and reliance on primary trading partners.
- 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 30 September 2024 and subject to change daily.

Applications for shares in the Fund should not be made without first consulting the current Prospectus and the Key Information Document ("KID") or Key Investor Information Document ("KIID"), which are available in English and in the official language of your local jurisdiction at [morganstanleyinvestmentfunds.com](http://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. Luxembourg B 29 192.

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If the management company of the relevant Fund decides to terminate its arrangement for marketing that Fund in any EEA country where it is registered for sale, it will do so in accordance with the relevant UCITS rules.

### INDEX INFORMATION

The **MSCI Europe (Net) Index** is a free float-adjusted market capitalization index that is designed to measure developed market equity performance in Europe. As of September 2002, the MSCI Europe Index consisted of the following 16 developed market country indices: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, and the United Kingdom.

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