

SHINING A LIGHT ON THE..... Morgan Stanley Funds (UK) Global Brands Fund

AT A GLANCE

Investment Objective
The Fund aims to grow your investment over 5 - 10 years. The Fund invests at least 80% of its assets in shares of companies in developed countries on a global basis.

Inception Date	3 rd February 2002
Fund Factsheet Link	https://www.morningstar.co.uk/uk/funds/snapshot/snapshot.aspx?id=F0GBR04N5T

Management	
Manager Name	Start Date
Nathan Wong	19 th July 2017
Alex Gabriele	30 th September 2017

FUND PERFORMANCE

Performance from 1st January 2016 to 31st January 2021:

	2016	2017	2018	2019	2020	2021
Morgan Stanley UK Global Brands Fund	25.51%	14.76%	3.52%	25.39%	9.18%	-2.09%
FTSE World ex UK	30.42%	13.45%	-2.68%	23.10%	14.15%	-1.31%

Performance over 12 months, 3 years, 5 years and since launch:

	1 year	3 years	5 years	Since Launch
Morgan Stanley UK Global Brands Fund	2.89%	39.60%	99.62%	823.87%
FTSE World ex UK	12.96%	34.39%	104.18%	586.11%

You should note that past performance is not a reliable indicator of future returns and the value of your investments can fall as well as rise. The total return reflects performance without sales charges or the effects of taxation, but is adjusted to reflect all on-going fund expenses and assumes reinvestment of dividends and capital gains. If adjusted for sales charges and the effects of taxation, the performance quoted would be reduced.

Tracking Error	Active Share	Upside Capture Ratio	Downside Capture Ratio	Batting Average	Beta	Alpha	Equity Style
8.34	-	82.18	93.67	41.67	0.74	-0.99	Blend/Large

Volatility Measurements	
3-Yr Std Dev (volatility)	12.75%
3-Yr Mean Return (average)	11.76%

Investment Style Details	
Giant	53.90%
Large	42.00%
Medium	2.03%
Small	0.00%
Micro	0.00%

Top 5 Holdings – 30 Equity Holdings		
Reckitt Benckiser Group PLC	Consumer Defensive	9.21%
Microsoft Corp	Technology	8.63%
Philip Morris International Inc	Consumer Defensive	7.58%
Visa Inc Class A	Financial Services	5.44%
Procter & Gamble Co	Consumer Defensive	4.90%

Top 5 Sectors	
Consumer Defensive	34.99%
Healthcare	21.59%
Technology	21.14%
Financial Services	9.51%
Industrials	5.42%

Top 5 Regions	
United States	71.30%
United Kingdom	15.02%
France	5.97%
Germany	4.88%
Netherlands	2.30%

UPDATE....

For investors looking at this fund it is important to understand what it is aiming to achieve. This is a strategy which is likely to be a buy and hold investment. The managers are looking to invest in well governed high-quality companies, offering longer term capital appreciation. What all this means is that in times of market dislocation, this strategy is likely to hold up better than the index due to the quality of companies they are invested in. On the reverse, when there is a strong market upside, this fund will lag.

It is bottom-up conviction led strategy with the highest conviction names within the top-10, which makes up over 50% of the portfolio. The strategy does not hold the big IT growers and therefore lagged in terms of performance by not holding these names in 2020. The assumption by many is that these names will continue to grow and dominate, however the managers believe this is a risky strategy.

With the companies they hold, although they look for quality brands, they are not prepared to overpay or hold at any price. Examples of changes include the addition of Procter and Gamble; this has seen a turn around to a well managed company and at the time offering attractive valuations. Church and Dwight was sold as they felt the valuation was too high.

COVID did have some impact and they reduced weightings to Coca Cola and Heineken. Also, where some stocks had benefited from increased valuations, they took some of the profits and allocated to other holdings.

Some of the holdings which benefited from COVID included Thermo Fisher, Microsoft and Reckitt and Benckiser.

Across the companies within the fund, their earnings have outperformed the market, but the portfolio as a whole has derated compared to the MSCI World Index and therefore valuations are attractive compared to the market.

In summary, there are several similar strategies on offer from different fund managers. Where these might work are as a blend to some of the more growth focused strategies as the holdings are likely to be different. It does mean that this strategy is likely to hold up better in falling markets, but in a period where markets are racing ahead this will likely lag. It is worth comparing to other similar strategies should this be something that an investor might be interested in.

The source of information in this note has been provided by Morgan Stanley and is correct as at February 2021. These are notes from meeting the fund manager or representative and should not be seen as a recommendation to purchase any fund mentioned. Any reference to shares is not a recommendation to buy or sell. Should you wish to make a decision based on these notes we cannot take responsibility for this and you should carry out your own research before making a decision. We would also recommend that you receive advice before following up on any decision.