

**MORGAN STANLEY INSTITUTIONAL GLOBAL  
FRANCHISE FUND**

**MS GLOBAL FRANCHISE FUND  
PORTFOLIO**



**Portfolio Date: 2018-09-30**

Updated on 2018-11-28

**Portfolio Overview**

Portfolio:	Morgan Stanley Institutional Global Franchise Fund
Fund Type:	Mutual Fund
Portfolio Date:	2018-09-30
Number of Stocks:	31
Equity Value:	\$1.30 Billion
Number of New Buys:	3
Q/Q Turnover:	10%

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# I. Portfolio Overview, Profile

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## Profile

Morgan Stanley Institutional Fund Global Franchise Portfolio Class I (MSFAX) was established on 11/28/2001. The net assets are \$488.09 million and the turnover rate as of 12/31/2012 is 34%. The fund seeks long-term capital appreciation by investing primarily in equity securities of issuers located throughout the world that they believe have, among other things, resilient business franchises and growth potential.

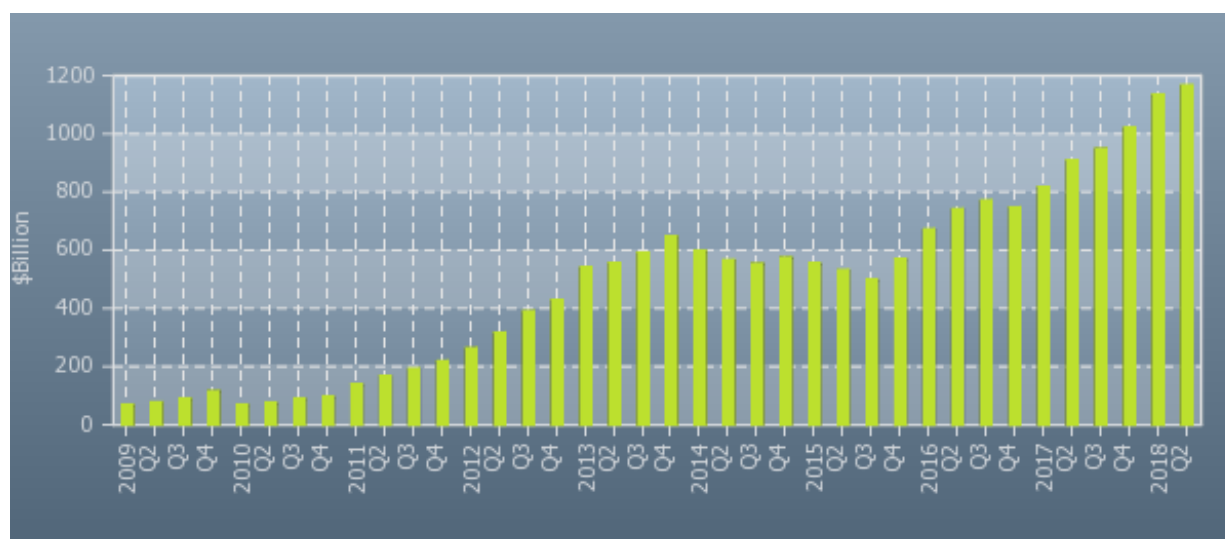
## Investing Philosophy

The team follows a distinct and disciplined investment process based on bottom-up stock selection, with sector, industry and stock weightings driven by the team's assessment of each stock's quality and valuation characteristics. (1) Investable universe: Companies are screened based on financial metrics that the team believes are associated with strong franchise businesses. The key financial characteristic of these companies is that they enjoy sustainable, high unlevered return on invested capital (ROIC), which is generated by a combination of recurring revenues, high gross margins and low capital intensity. This combination helps support strong free cash flow generation, which, crucially, must be either reinvested at similarly high returns or distributed to shareholders. (2) Security selection: The team looks for high-quality businesses with the following characteristics: difficult-to-duplicate intangible assets that protect the durability of the franchise; a sustainable, high ROIC on an unlevered basis; high gross margins and low capital intensity; a reliably recurring revenue stream; and financial strength and capable management. The team monitors signs of franchise abuse, including failing to re-invest capital in high ROIC businesses, preventing compounding by retaining excessive cash and earnings-per-share targets having precedence over ROIC, which rewards short-sighted behavior.

## II. Performance of Morgan Stanley Global Franchis

Year	Return (%)	S&P 500 (%)	Excess Gain (%)
2017	25.85	21.71	4.1
2016	5.64	11.99	-6.3
2015	6.5	1.24	5.3
2014	4.82	13.47	-8.7
2013	19.71	32.3	-12.6
<b>5-Year Cumulative (Average)</b>	<b>77.7 (12.2%/year)</b>	<b>107.2 (15.7%/year)</b>	<b>-29.5 (-3.5%/year)</b>
2012	15.38	15.99	-0.6
2011	9.38	1.9	7.5
2010	14.07	15.05	-1.0
2009	29.65	26.35	3.3
2008	-28.88	-36.79	7.9
<b>10-Year Cumulative (Average)</b>	<b>135.8 (9%/year)</b>	<b>125 (8.4%/year)</b>	<b>10.8 (0.6%/year)</b>
2007	9.58	5.14	4.4
2006	21.6	15.85	5.8
2005	11.91	4.83	7.1
2004	13.77	10.7	3.1
2003	27.92	28.19	-0.3
<b>15-Year Cumulative (Average)</b>	<b>411.8 (11.5%/year)</b>	<b>307.7 (9.8%/year)</b>	<b>104.1 (1.7%/year)</b>
2002	8.1	-21.58	29.7

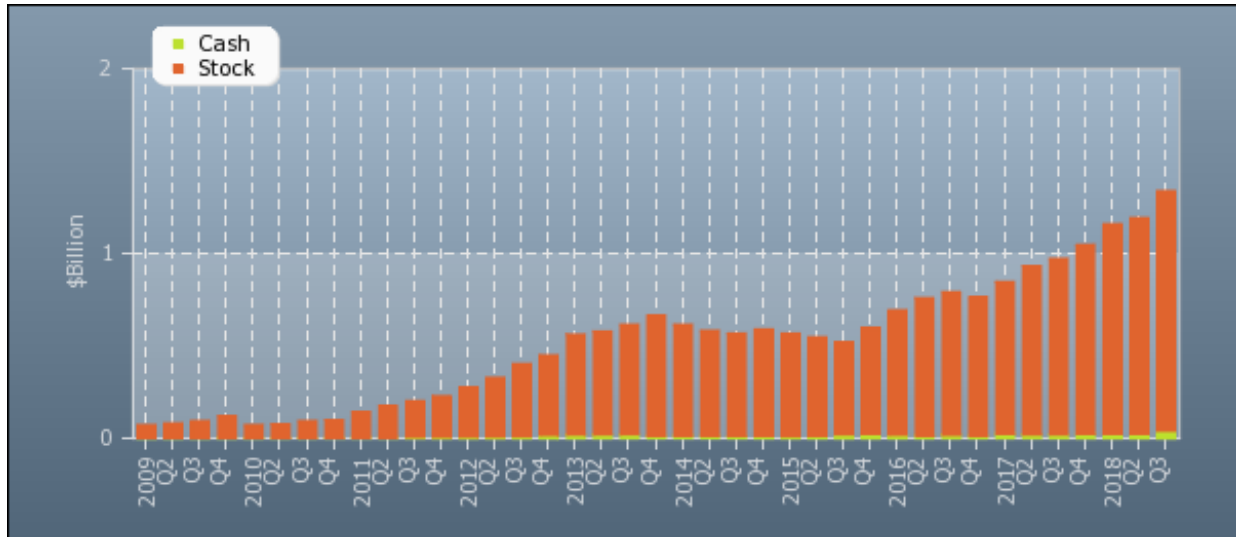
## III. Historical Total Value (\$Billion) of Filings



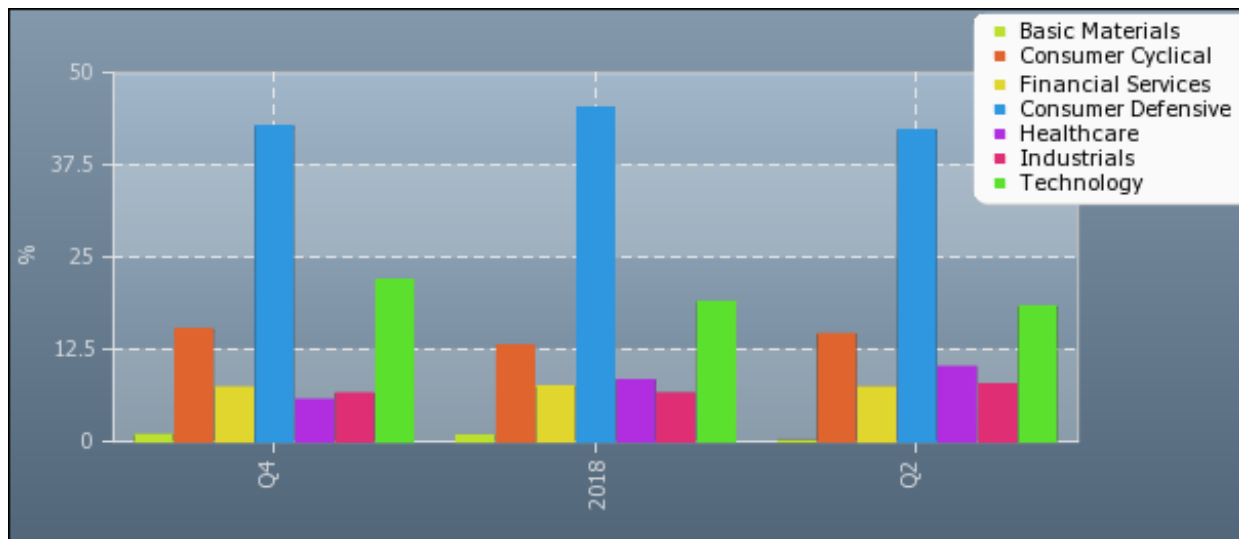
## V. Equity, Cash, Bond Asset Allocations

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## VI. Historical Equity, Cash, Bond Asset Allocations



## VII. Industry/Sector Shift in Past 12 Months



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