SGHiscock Investment Management

Morgan Stanley

Morgan Stanley Global Quality Select Fund

July 2026

Unhedged

Performance[1]	Total net Return[2]	MSCI World (Net) Index[3]	Fund vs Index
1 month (%)	3.03	-0.85	3.88
3 months (%)	4.22	6.80	-2.58
6 months (%)	0.57	7.57	-7.00
1 year (%)	-10.16	10.38	-20.54
3 years (% p.a.)	4.56	16.52	-11.96
5 years (% p.a.)	3.66	12.21	-8.54
Inception (% p.a.)[5]	9.04	13.49	-4.45

Hedged in AUD

Performance[1]	Total net Return	MSCI World (Net) Index – Hedged [4]	Fund vs Index
1 month (%)	4.31	0.30	4.01
3 months (%)	2.72	5.19	-2.47
6 months (%)	2.08	8.57	-6.49
1 year (%)	-1.86	20.25	-22.11
3 years (% p.a.)	5.20	17.59	-12.39
5 years (% p.a.)	1.89	10.92	-9.03
Inception (% p.a.)[5]	5.42	14.74	-9.32

Past performance is not a reliable indicator of future performance

Key Facts

Investment manager	SGHiscock Investment Management.
Fund manager	Morgan Stanley Investment Management (Australia) Pty Limited (MSIM)
Inception date	29 Jun 2020
Management fees[6]	1.18%
Performance fee	n/a
Fund size	$132.4M
Dividends payable	Annually
Buy/sell spread	+0.20/ -0.20%
Minimum initial investment	$20,000
Base currency	AUD
APIR	ETL9199AU
APIR (Hedged)	ETL5365AU
Domicile	Australia
	Unit Price (Unhedged, $)
Application	$1.3445
Net Asset Value	$1.3418
Withdrawal	$1.3391
	Unit Price (hedged, $)
Application	$1.2579
Net Asset Value	$1.2554
Withdrawal	$1.2529

Investment Team

William Lock, Portfolio Manager
Bruno Paulson, Portfolio Manager
Marte Borhaug, Portfolio Manager

Fund strategy

The Morgan Stanley Global Quality Select Fund offers a high-quality approach to ESG investing with a clearly defined process. The Strategy invests in high-quality companies at reasonable valuations that can sustain their high returns on operating capital over the long term. The portfolio has a low carbon impact and scores well on environmental, social and governance (ESG) factors as measured by third parties, such as MSCI ESG, relative to broad equity indices such as the MSCI World Index. The Strategy seeks to provide attractive long-term returns with less long-term volatility than the broader market.

Portfolio positioning

10 Largest Holdings

Name	Country	Sector	Portfolio
TSMC	Taiwan	Information Technology	6.6
Alphabet	United States	Communication Services	5.1
VISA Inc	United states	Financials	4.7
Keyence	Japan	Information Technology	4.4
ASML	Netherlands	Information Technology	4.3
Coca-Cola	United States	Consumer Staples	4.0
Amazon.com Inc	United States	Consumer Discretionary	3.9
Microsoft	United States	Information Technology	3.8
AON	United States	Financials	3.8
Netflix	United States	Communication Services	3.5
			43.9

[1] Total Net Return is the Fund return after the deduction of ongoing fees and expenses and assumes the reinvestment of all distributions.

[2] Performance prior to 30 June 2020 (highlighted in orange) is for the Global Quality Select Composite and its inception date is April 30, 2018. This Composite comprises all separately managed accounts managed on a fully discretionary basis according to the Global Quality Select strategy. This has been adjusted to reflect the fee of 1.18 pa for Morgan Stanley Global Quality Select Fund.

[3] Net of Withholding Tax, AUD

[4] MSCI World (Net) Index – hedged to AUD

[5] The inception date for the Morgan Stanley Global Quality Select Fund (Hedged) (ETL5365AU) is 1 July 2020, with a start unit NAV price of $1.0133. While the Morgan Stanley Global Quality Select Fund was seeded on 29 June 2020, the Hedged class was not invested until 1 July 2020.

[6] Includes estimated GST payable, after taking into account Reduced Input Tax Credits ("RITC").

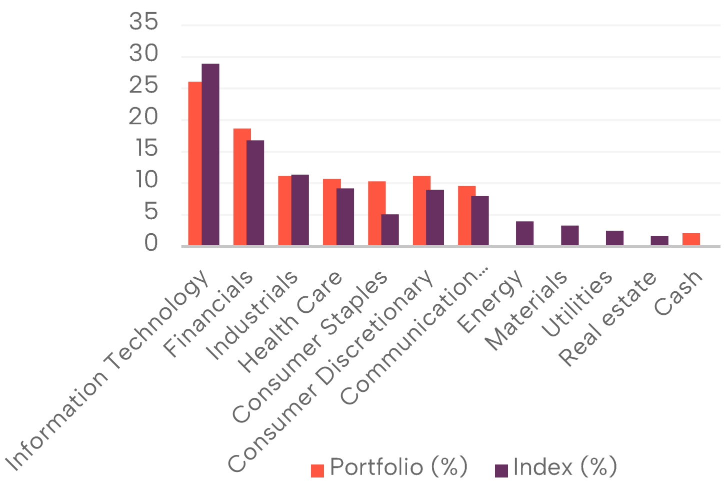
Stock Attribution

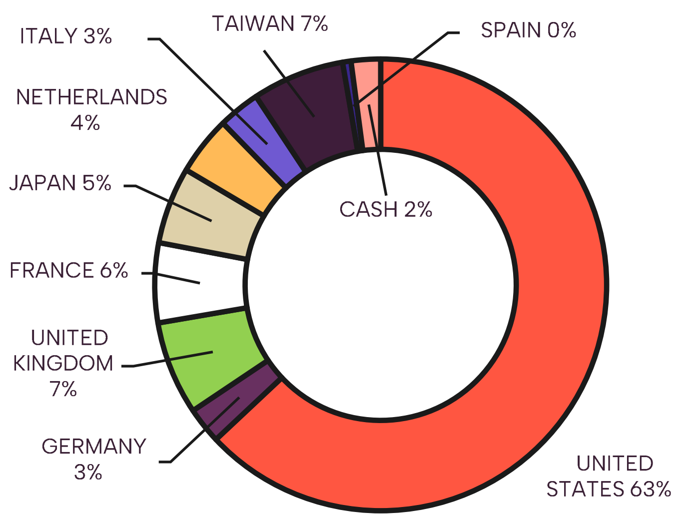
Top 5 Absolute Contributors	Performance Return	Contribution
Microsoft	22.90	0.71
Intercontinental Exchange	22.34	0.62
Amazon	12.35	0.42
CME	19.73	0.41
SAP	16.82	0.40

Top 5 Absolute Detractors	Performance Return	Contribution
ASML	-17.26	-0.93
Synopsys	-13.88	-0.37
Texas Instruments	-8.37	-0.22
TSMC	-2.21	-0.15
AutoZone	-6.86	-0.15

Source: Morgan Stanley Investment Management. Data as of 31 July 2026

Sector & Country Allocation (%of Total Net Assets)





Source: Morgan Stanley Investment Management. Data as of 31 July 2026

Market Review

Global equity markets were notably more subdued in July, with the MSCI World Net Index rising a modest +0.5% in U.S. dollar (USD) terms (+0.2% in local currency and -0.85% in AUD). Year-to-date (YTD), the index has returned +10% in USD (+11% in local currency and +4.68% in AUD). Energy (+13%) was the standout performer in the month, as oil prices strengthened amid renewed geopolitical tensions in the Middle East, lifting the sector's YTD return to +34%. Financials (+6%) also outperformed, supported by broad-based strength across Banks, Financial Services and Insurance, as did the defensive Consumer Staples (+2%) and Health Care (+1%) sectors, albeit by narrower margins. In contrast, Information Technology (-4%) was the weakest-performing sector, driven by a sharp pullback in Semiconductors (-13%). Hardware was broadly flat, while Software & Services (+12%) recovered some of its YTD weakness. Materials and Industrials, which remain strong-performing sectors YTD (+9% and +14%, respectively), were little changed during the month, returning -0% and -1%.

Geographically, the U.S. (-0%) was a touch behind the MSCI World, meaning other major markets tended to outperform. Hong Kong (+11% USD and local) and Singapore (+10% USD and local) led gains in Asia, while the U.K. (+5%, +4%) and the core euro area – Italy, Germany and France (all between +1% and +3%) –also outperformed the broader index. Conversely, the Netherlands (-9%, -10%) gave back some of its strong YTD performance, finishing as the weakest market in the index as its significant semiconductor exposure weighed on returns.

Portfolio Review

In July, the Portfolio returned +3.03%, outperforming the MSCI World Net Index which returned -0.85%. The month saw a sharp rotation within equity markets, with pressure across parts of the semiconductor and artificial intelligence (AI) infrastructure complex as crowded positioning and leveraged trades began to unwind, providing a more supportive backdrop for the Portfolio's selective positioning.

In July, the largest contributors to absolute performance were companies reporting strong quarterly results, many of which have lagged the market year-to-date. Microsoft reinforced confidence in the demand for, and returns from, AI investment, reporting 43% year-on-year (y-o-y) Azure revenue growth, with annual Azure revenues surpassing $100bn and Copilot seats exceeding 30 million (up from around 20 million in the previous quarter).[1] Management highlighted that demand continues to exceed available capacity, allowing rapid monetisation of incremental capacity and efficiency improvements, and guided to accelerating growth in both Azure and the Microsoft 365 (Office) Commercial Cloud businesses. Amazon further demonstrated the commercial returns from AI investment, with AWS (Amazon Web Services) revenue growth accelerating to 37% y-o-y and AI revenues exceeding a $25bn annual run rate, while management helpfully outlined the expected payback profile of its data centre and server investments.[2] Financials holdings Intercontinental Exchange and CME Group recovered from second quarter regulatory uncertainty driven weakness, benefiting from resilient operating performance despite tough y-o-y comparisons and management reiterating that perpetual futures are unlikely to materially disrupt demand from their core institutional customer base.[3] Finally, SAP sharply re-rated towards the end of the period, recovering some of the year-to-date underperformance, following a good set of results reporting stronger-than-expected cloud bookings, with current cloud backlog growth reaccelerating to 26% (from 25% in the previous quarter), helping to reinforce investor confidence in the resilience of its core enterprise resource planning franchise.[4]

Among the largest absolute detractors were several AI enablers; ASML, Synopsys, Texas Instruments and TSMC, reflecting a broader pullback across the front end of the AI value chain. ASML was additionally pressured by reports that China had begun domestic production of immersion DUV lithography tools, while Synopsys lagged as investor sentiment was pressured by reports of advances in AI-assisted chip design, reigniting debate around the longer-term competitive landscape. We believe the competitive advantages for these businesses remain intact and their earnings streams more resilient than peers as, due to their broad exposure across the semiconductor value chain, they are not reliant on a single end market or chip category to drive revenues. Elsewhere, AutoZone weakened on concerns around increased competition in the U.S. auto parts market, although we remain confident in the investment case.

In terms of relative performance (in U.S. dollar terms), outperformance was driven by stock selection, with notable strength in Information Technology (IT), Health Care, Financials, Industrials, and Consumer Discretionary. In IT, returns were driven by the double-digit gains in Microsoft and SAP, alongside the relative outperformance of TSMC, whose shares were broadly flat compared with a circa 13% decline across the broader semiconductor industry. Health Care holdings returned +10% versus the index's +1%, led by Thermo Fisher and U.S. drug distributors McKesson and Cencora, while Financials benefitted from the sharp rebound in Intercontinental Exchange and CME (both up more than +20%), alongside continued strength in larger holdings Aon and Visa. In Industrials, both the Portfolio's Professional Services and Capital Goods holdings outperformed their respective industries, while in Consumer Discretionary, Ferrari (+6%) was significantly ahead of the broader Autos industry (down 14%). Sector allocation was neutral overall, as the drag from the portfolio's zero weighting in Energy – up 13% in July as oil prices rose sharply – was offset by a number of smaller positive allocation effects elsewhere

The Portfolio's weighted average carbon intensity (WACI) was 75% lower than the MSCI AC World Index.[A]

Portfolio Activity

During the month, we took advantage of share price weakness to add to MSCI, a durable, high-quality franchise. The second-quarter results5 reaffirmed the strength of the model, with operating revenue up 12% y-o-y, asset-based fees up over 25% y-o-y, and earnings compounding over 18% after buybacks. As the shares are valued largely on subscription revenue growth, we believe a return toward historical growth rates could drive meaningful re-rating potential.

We also reduced our position in Amadeus IT Group, as a widening range of AI-disruption outcomes continued to erode our conviction in its long-term compounding relative to other opportunities. While its Air IT and Hospitality businesses remain durable, given their system-of-record advantages, its largest profit pool — Air Distribution (GDS) — remains most exposed to AI-native interfaces and agentic workflows that could bypass the traditional channel over time. With the additional cyclical drag on travel from geopolitical uncertainty in the Middle East, we trimmed the position size.

In addition, the Portfolio received shares in Mobility Global following its spin-off from S&P Global as part of management's simplification strategy.

Outlook

The next phase will be about delivery

After an exceptionally strong second quarter, the crowded AI infrastructure trade corrected sharply in July, providing evidence of the risks posed by narrow market leadership. Against this backdrop of a broadly flat market (+0.5%), and a sharp drawdown in semiconductor and AI infrastructure exposed shares, the strategies delivered a strong positive return. As we wrote in June, should market leadership broaden, or should the focus shift away from the cyclical growth shares that had been winning year-to-date, we anticipated the portfolio's low cyclicality, durable earnings profile and exposure to underappreciated quality businesses to drive absolute and relative performance. It was encouraging to see this play out during the month.

Some market commentators have characterised July's reversal in semiconductor and AI infrastructure stocks as primarily a technical flushing-out of leveraged positions held by one-way momentum investors. If that interpretation is correct, the bulk of the correction may already have occurred. The more consequential question is whether the violence of the sell-off is also anticipating a future easing of some bottlenecks in data centre capacity buildout, which would have significant knock-on effects across the AI supply chain. Results reported so far do not point to such a slowdown, with spending plans generally maintained or increased. Nonetheless, the market is increasing its focus on capital expenditure and additional semiconductor capacity, with investors increasingly demanding evidence that revenue growth and cash returns are sustainable and can deliver adequate return on capital invested.

Strong earnings and a sustained period of positive revisions mean the bar is set high for future earnings growth. For the market, delivering on these expectations depends not just on top-line growth but on continued margin expansion from already elevated levels, against a backdrop of elevated capital expenditure. For the most crowded names, a relatively modest risk to earnings trajectory is likely to have a dramatic impact on share prices. A good example of this is the sharp drawdown in memory stocks in response to the prospect of the current unusually favourable supply-demand dynamics being challenged by additional capacity coming online in China. These moves illustrate how unforgiving valuations can become when expectations are elevated.

The hyperscalers performed better than the frothier end of the 'AI-enablers' category in July, although the market was sensitive to individual company results. Our hyperscaler holdings combine scale, embedded customer relationships, and balance sheet capacity with clear avenues to monetisation, along with very attractive non-hyperscaler businesses. They are likely to be beneficiaries if the feared commodification of LLMs (large language models) and even semiconductors does occur. We believe this will make them more insulated to market fears around the highly cyclical, and potentially temporary, profit boom experienced by the most crowded names.

Looking forward, we continue to believe selectivity will be key. The portfolio offers exposure to those AI enablers that meet our quality and valuation criteria, across select hyperscalers and supply chain bottlenecks. Their July performance illustrated their relative robustness compared with more frothy AI enabler options. Beyond these, we retain exposure to a handful of software names alongside attractively positioned data-rich companies across industries, many of which look oversold as perceived AI 'victims'. We believe these businesses offer strong potential to compound earnings while providing AI optionality through cost savings oradditional revenue lines. These two groups are complemented by defensive AI-agnostic franchises, including long-standing core holdings and attractively valued new opportunities in areas such as Luxury and Media, where the investment cases are largely independent of the AI debate.

This deliberately constructed portfolio is positioned for a range of outcomes. If July's correction proves to have been primarily technical and enthusiasm around the AI build-out resumes, we should participate through our AI enabler exposure. If spending growth slows and market concentration unwinds, the portfolio is less dependent on the most cyclical beneficiaries whose current profits may prove temporary, while our underappreciated AI-enablers and AI-agnostic franchises should be rewarded, particularly given attractive starting valuations. Finally, should the market narrative shift more substantially, whether around earnings growth or AI, we believe the portfolio's low cyclicality, durable earnings profile, resilient revenues, strong balance sheets and attractive free cash flow characteristics should provide substantial positive optionality.

The month of July provided some early green shoots, consistent with what we set out at the end of June: we offer a portfolio built to participate in the AI opportunity without depending on the most crowded, cyclical names. In an environment where investors are increasingly questioning valuations, capital intensity and the durability of peak earnings, we believe the portfolio represents an attractive option for investors seeking credible through-cycle compounding potential at broadly the same free cash flow yield as the far lower quality market as a whole.

A Source*: Trucost. WACI is calculated using Scope 1 & 2 emissions per $m of company revenue. The term carbon refers to greenhouse gas (GHG) emissions, measured in metrics tonnes of carbon dioxide equivalent (CO2e) emissions. Our data provider's methodology follows the GHG protocol and includes carbon dioxide (CO2), methane (CH4), nitrous oxide (N2O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulphur hexafluoride (SF6) and Nitrogen Trifluoride (NF3), calculated in metric tonnes of CO2 equivalent. Some carbon/carbon equivalents data may be estimated by the data provider. Data excludes cash.*

1 Source: Microsoft fiscal year fourth quarter earnings conference call, 29 July 2026

2 Source: Amazon second quarter earnings call, 30 July 2026

3 Source: Intercontinental Exchange second quarter earnings conference call, 30 July 2026; CME Group second quarter 2026 earnings call, 22 July 2026

4 Source: SAP second quarter results call, 23 July 2026

5 MSCI Q2 2026 Earnings Release

Source for data cited, unless otherwise stated: MSIM, FactSet, as of July 31, 2026

For detailed information about the ESG processes applied within this fund, please refer to the PDS here.

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