

Morgan Stanley Investment Funds
Global Endurance Fund

MARKETING COMMUNICATION | COUNTERPOINT GLOBAL | SEMI-ANNUAL LETTER | 30 JUNE 2020

Dear Clients:

Global Endurance seeks to invest in a select group of companies located throughout the world with durable competitive advantages, sustainable growth opportunities, valuable business models and strong management teams.

One such company was Fastly, which I first invested in the second quarter of 2019. Fastly provides over 297 enterprise customers a secure and programmable edge cloud platform (Fastly.com, May 2020). The architecture of their unique and software-defined global network allows Fastly to meet the ever-growing compute and performance requirements of data rich applications and websites. Global Endurance seeks to invest in a select group of companies located throughout the world with durable competitive advantages, sustainable growth opportunities, valuable business models and strong management teams.

This innovative, robust, customizable and developer-focused offering will allow the company to continue to change the way in which consumers access the Internet in a fast, secure and scalable way. Their customer experience resonates with developers, as demonstrated by the extraordinary Net Promoter Score of 64 (Fastly.com, 2018) and Customer Satisfaction score of over 95% in an industry dominated by legacy Content Delivery Networks. I believe we own a company which will continue to take share in a large market – estimated to be \$35.4 billion – while it maintains and builds upon its core competitive advantages of scale and network effects.

Our Fastly stake appreciated 324.17% in the first half of 2020. While Fastly was our top performer, Wayfair, Carvana, Zoom and Smartsheet were also important positive contributors to our results. Conversely, Victoria, Ryman Healthcare, Melrose Industries, Colliers International Group and Party City were the biggest detractors to our performance in the first half of 2020.

I would be remiss if I did not mention that Wayfair, which has been a top contributor for us in the first half of 2020, was among the five largest detractors to our performance in 2019. I mention this to assert my faith in Victoria. Victoria has been among the top detractors for us in 2019 and in the first half of 2020. Victoria is a leading vertically integrated designer, manufacturer and distributor of innovative flooring products such as carpets, ceramic tiles, luxury vinyl tiles and artificial grass. I had studied the business for some time prior to meeting the company's Executive Chairman in London in 2018. Victoria had experienced a series of unfortunate external events including a large shareholder being embroiled in a scandal, the company tapping bond markets at a challenging time in November 2018 (a costly mistake corrected in July 2019 and January 2020), a short-seller attack and now a global pandemic. Even one such event would lead to a crisis of faith in most management teams. However, despite all these external shocks, the company's leadership and employee base has done an extremely admirable job of maintaining focus on execution against their market opportunity, addressing their customers' needs and allocating capital on our behalf. The great Andy Grove's saying comes to my mind when I think about this situation- "Bad companies are destroyed by crisis, Good companies survive them, Great companies are improved by them" (Andy Grove, December 1994). It is my belief that we own a stake in a Great company and will likely be duly rewarded for the company's steadfastness and our patience.

While I did not expect a global pandemic in 2020 when I wrote my 2019 annual letter to you, investing in unique times comes with the territory. It has been heartening to see the bravery of front-line healthcare workers and essential employees during these difficult times. I am also proud of how the management teams and employees of our holdings are navigating through an unprecedented set of challenges. During the highly volatile second quarter, I was able to acquire more of our core holdings along with some newer holdings. My ever-curious and adaptive approach led us to acquire businesses such as Six Flags, Brookfield Asset Management, Royalty Pharma, TransDigm, Twitter, Floor & Decor and Dino Polska at what I believed were a significant discount. In some cases such as Six Flags and Twitter, I believe the short-term discount closed faster than I anticipated and I parted with them quite profitably to reinvest more in our core holdings. Among the wonderful businesses I acquired during this unprecedented time period, we continue to own Royalty Pharma, Brookfield Asset Management, Floor & Decor, TransDigm and Dino Polska.

It is worth noting that our companies' share prices can vary significantly in any short time period; but it is my belief that over time, they reflect the intrinsic value of their underlying businesses. And given that we own a select group of companies – 30 to be exact – a number which is a fraction of the over 3,000 companies held in the index we compete against, the fund's performance may vary in any given year.

I remain optimistic that a bottom-up approach to investing will allow us to find exceptional companies around the globe truly worthy of our capital in the years ahead. Furthermore, the companies we own today are perennially competing for space in the portfolio with ones we do not. I am committed to searching for exceptional companies, while also deepening my understanding of the fundamentals of our existing businesses.

At the end of the first half of 2020, our top 10 companies accounted for 59.13% of the portfolio and top 20 companies accounted for 85.13% of the portfolio. From a geographic weighting standpoint, our portfolio was 68.33% in United States, 9.06% in Canada, 8.22% in United Kingdom, 4.19% in Sweden, 3.54% in New Zealand, 2.63% in Germany, 1.15% in Finland and 0.94% in Poland.

I am grateful for your trust in Global Endurance.

With best wishes,
Manas Gautam

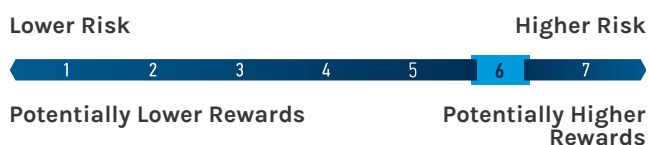
FUND FACTS

Launch date
30 August 2019

Base currency
U.S. dollars

Index
MSCI All Country World Index

Share Class Z Risk and Reward Profile



The risk and reward category shown is based on historic data.

- Historic figures are only a guide and may not be a reliable indicator of what may happen in the future.
- As such this category may change in the future.
- The higher the category, the greater the potential reward, but also the greater the risk of losing the investment. Category 1 does not indicate a risk free investment.
- The Fund is in this category because it invests in company shares and the fund's simulated and/or realised return has experienced high rises and falls historically.
- The fund may be impacted by movements in the exchange rates between the fund's currency and the currencies of the fund's investments.

This rating does not take into account other risk factors which should be considered before investing, these include:

- 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.
- There may be an insufficient number of buyers or sellers which may affect the funds ability to buy or sell securities.

- Investment in China A-Shares via Shanghai-Hong Kong and Shenzhen-Hong Kong Stock Connect programs may also entail additional risks, such as risks linked to the ownership of shares.
- There are increased risks of investing in emerging markets as political, legal and operational systems may be less developed than in developed markets.
- 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 June 2020 and subject to change daily.

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INDEX INFORMATION

The **MSCI All Country World Index (ACWI)** is a free float-adjusted market capitalization weighted index designed to measure the equity market performance of developed and emerging markets. The term "free float" represents the portion of shares outstanding that are deemed to be available for purchase in the public equity markets by investors. The performance of the Index is listed in U.S. dollars and assumes reinvestment of net dividends. The index is unmanaged and does not include any expenses, fees or sales charges. It is not possible to invest directly in an index.

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