

Morgan Stanley Investment Funds
Global Endurance Fund



Dear Clients:

Total returns for Global Endurance were +59.60% (Z shares net of fees) compared to +13.93% by the MSCI All Country World Index for the first half of 2023.

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.

I am pleased to report that your patience and unwavering support after a difficult 2022 has paid off in the first six months of 2023. While we are still not out of the woods yet, with signs pointing to a slowing economy, a rebound from the lows of last year is certainly relieving.

Navigating the portfolio over the last year has certainly been a unique experience given we saw the quickest rate hike in recent decades, which not only led to bank-run driven bank failures but general business and consumer uncertainty. Our long-term, fundamental approach to research and investing kept us grounded and acted as a North Star despite the turbulent waters.

Many of you have asked my prediction of what interest rates or the economy will look like in the coming months and years. My answer continues to be "I have no idea". While the rationale behind the question is logical, I believe it is impossible to predict with any certainty and therefore a futile exercise. Instead, our approach focuses on investing with a high hurdle rate in every environment. Furthermore, we believe that time spent understanding a specific company's fundamentals, such as its earnings power has higher odds of success than predicting where rates will be and the overall health of the economy. I believe it is more effective to focus on the value of a business and price paid rather than spend any time trying to predict various macroeconomic data points.

Resisting the temptation to pontificate on inflation, interest rates, the economy and other macroeconomic data is deliberate and more a feature than a bug. Focusing on these topics inadvertently diverts attention away from understanding company fundamentals and competitive advantages and drives investors to attempt to time the market, another futile exercise. While some investors may get lucky on the timing, we believe it is just that – luck. Not only would one have to decide when to "exit" a position, they would also need to find the right time to "reenter", or vice versa. Thus, creating not one but two decisions that one must get right. It is for these reasons that I find our time is better spent building conviction around a specific business based on its underlying fundamentals. This allows us to be confident in our decision making while others are rash and impulsive.

In the second half of last year as prices were hitting all-time lows for many of our businesses, I took a "blank sheet of paper" approach to the portfolio. I wanted to make sure that our portfolio was taking maximum advantage of the market drawdown. A crisis is a horrible thing to waste, especially if high quality businesses are being offered at discounted prices. With the aim of maximizing the portfolio's return for every unit of risk taken, we increased our stake in companies we already own and invested in some new ones. This "upscaling" of the portfolio gives me further comfort that we are well positioned on a go-forward basis.

Given the average U.S. consumer continues to feel the impact of low affordability, inflation and tightening credit standards, I have observed significant drawdowns in some businesses that have long been on our shopping list. We believe these companies provide a strong consumer value proposition to the average American, and they are resilient businesses whose value is not reflected in the current price.

While large drawdowns are certainly character-testing, what keeps me going during these times of uncertainty is having a healthy dose of optimism, patience, and endurance. We believe investments we make during the toughest times have the potential to provide strong rates of returns. Taking a long-term approach to one's investments inoculates one best from the general vicissitudes of the stock market.

One of the ever-lasting lessons learned from last year was not parting with businesses as valuations got ahead of themselves. Focusing on the long-term potential of the companies and making no changes when prices became too high too quickly led to immense short-term price pressure on our portfolio and an awful annual outcome. The outcome became worse for some of you if you were forced to sell to meet short-term liquidity needs and were not able to outlast the painful volatility. To those of you I let down in the short term, I am sorry, and I hope to do right by you with the passage of time. While having a bumpy experience is certainly not ideal, it can be hard to avoid when the emotional pendulum swings sharply in public markets and fear and uncertainty darkens the cloud.

I took this painful lesson learned to heart, and during these past six months we ended up parting with businesses, some of which we have owned since the inception of the Fund. In most cases, the decision to sell was based on valuation – the pendulum had swung from being undervalued to being fairly valued or overvalued. I hope many of these businesses that we know quite well get offered to us again at attractive prices down the road.

As a reminder, while our companies' share prices can vary significantly in any short period, 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 – 29 to be exact – a number which is a fraction of the 2,935 companies held in the index we compete against, the Fund's performance may vary in any given year.

I remain optimistic that a company-focused 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 2023, our top 10 companies accounted for 58.0% of the portfolio and top 20 companies accounted for 87.6% of the portfolio. From a geographic domicile weighting standpoint, our portfolio was 73.0% in the United States, 11.7% in the United Kingdom, 4.5% in Israel, 3.8% in the Netherlands, 3.5% in France and 2.4% in Canada.

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
Benchmark	MSCI All Country World Net Index

Calendar Year Returns (%)

Past performance is not a reliable indicator of future results.

	YTD	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Class Z Shares	59.60	-67.14	11.92	107.22	--	--	--	--	--	--	--
MSCI All Country World Net Index	13.93	-18.36	18.54	16.25	--	--	--	--	--	--	--

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 to see the latest performance returns for the fund's other share classes.**

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 very 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.
- 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.

- 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 2023 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 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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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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Market Law”) as amended, and under the *Reglamento del Mercado de Inversionistas Institucionales* approved by *Resolución SMV N°021-2013-SMV/01* as amended by the *Resolución de Superintendente N°126-2020-SMV/02* (the “*Reglamento 1*”) and *Resolución de Superintendente N°035-2021-SMV/02* (the “*Reglamento 2*”), and are being offered to institutional investors only (as defined in article 8 of the Securities Market Law) under the special public offering directed exclusively to the institutional investors under the *Reglamento 1 and Reglamento 2*, then the interests in the Fund will be registered in the Section “*Del Mercado de Inversionistas Institucionales*” of the Securities Market Public Registry (*Registro Público del Mercado de Valores*) maintained by the *Superintendencia del Mercado de Valores (SMV)*, and the offering of the Fund interests in Peru only to institutional investors will be subject to the supervision of the SMV, as well as any transfers of the Fund interests shall be subject to the limitations contained in the Securities Market Law and the regulations issued thereunder mentioned before, under which the Fund interests may only be transferred between institutional investors under Article 27 of the *Reglamento 1 and Reglamento 2*. If neither the Fund nor the interests in the Fund have been and will not be registered in Peru under *Decreto Legislativo 862* and under *Decreto Legislativo 861 referenced above*, nor they will be subject to a public offering directed to institutional investors under the *Reglamento 1*, and will be offered to institutional investors only (as defined in article 8 of the Securities Market Law) pursuant to a private placement, according to article 5 of the Securities Market Law, the interests in the Fund will not be registered in the Securities Market Public Registry maintained by the *SMV*, and the offering of the Fund interests in Peru to institutional investors nor the Fund will be subject to the supervision of the SMV, and any transfers of the Fund interests shall be subject to the limitations contained in the Securities Market Law and the regulations issued thereunder mentioned before, under which the Fund interests may only be transferred between institutional investors. Applications for Fund interests in the sub-fund mentioned herein should not be made without first consulting the current Prospectus, Key Information Document (“KID”) or Key Investor Information Document (“KIID”), Annual Report and Semi-Annual Report (“Offering Documents”), or other documents available in your local jurisdiction which is available free of charge from the Registered Office European Bank and Business Centre, 6B route de Trèves, L-2633 Senningerberg, R.C.S. Luxemburg B 29 192.

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