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Morgan Stanley Investment Funds

Global Endurance Fund

COUNTERPOINT GLOBAL | SEMI-ANNUAL LETTER | 31 DECEMBER 2020

Dear Clients:

Total returns for Global Endurance were +107.11% compared to +16.25% by the MSCI All Country World Index for the year.

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 Stitch Fix, which I invested in the first quarter of 2019. Stitch Fix is an online apparel retailer that provides over 3.7 million clients a personalized styling service ([Stitchfix.com](https://www.stitchfix.com), December 2020). Backed by over 8,000 employees- which include 4,700 personal stylists, 1,900 fulfillment center employees, 290 client experience employees, 240 engineers and 145 data scientists- the company provides a curated inventory that facilitates the convenience of shopping online along with a personalized client experience that is powered by sophisticated algorithms built on data collected from clients and personal stylists.

This strong client-focused consumer offering will allow the company to continue to change the way in which consumers shop for apparel, shoes and accessories. Under the exceptional leadership of founder Katrina Lake, I believe we own a company which will continue to take share in a large market – estimated to be over \$400 billion – while it maintains and builds upon its core competitive advantages of scale and network effects.

Our Stitch Fix stake appreciated 134.32% in 2020. While Stitch Fix was among our top performers, Fastly, Wayfair, Carvana, Appian and Zoom were also important positive contributors to our results. Conversely, Melrose Industries, Ryman Healthcare, Colliers International Group, Victoria and Discovery Limited were the biggest detractors to our performance this year.

I would also like to follow up on my comments in the half-year letter regarding our stake in Victoria. I am pleased to report that our steadfastness and patience during that challenging period has been duly rewarded. Victoria's share price has rebounded by 142.59% since the end of June. I attribute this performance to the strong underlying fundamentals of the business. Despite the initial state-mandated lockdown, Victoria was able to hit the ground running once they were legally allowed to do so. Their manufacturing as well as logistics capability was on full display as the company was able to satisfy the high pent-up consumer demand and deliver strong business results during the first half of 2020 (Victoria, October 2020). Under the exceptional leadership of Geoff Wilding, I believe we own a company that has the potential to continue to execute and create wealth for us owners.

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 – 37 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 company-specific 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 year-end, our top 10 companies accounted for 48.12% of the portfolio and top 20 companies accounted for 81.10% of the portfolio. From a geographic domicile weighting standpoint, our portfolio was 68.93% in United States, 7.24% in United

Kingdom, 5.66% in Canada, 4.49% in Poland, 4.21% in Japan, 4.19% in Sweden, 2.64% in New Zealand, 0.77% in Germany and 1.08% in Finland.

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 Net Index

12 Month Performance Periods to Latest Month End (%)

	DECEMBER '19 - DECEMBER '20	DECEMBER '18 - DECEMBER '19	DECEMBER '17 - DECEMBER '18	DECEMBER '16 - DECEMBER '17	DECEMBER '15 - DECEMBER '16
MS INVF Global Endurance Fund - I Shares	107.11	--	--	--	--
MSCI All Country World Net Index	16.25	--	--	--	--

Past performance is not a reliable indicator of future results. Returns may increase or decrease as a result of currency fluctuations. 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 I Risk and Reward Profile

Lower Risk

Higher Risk



Potentially Lower Rewards

Potentially Higher Rewards

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 31 December 2020 and subject to change daily.

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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