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# Morgan Stanley Investment Funds Global Endurance Fund

MARKETING COMMUNICATION | COUNTERPOINT GLOBAL | SEMI-ANNUAL LETTER | 30 JUNE 2021

Dear Clients:

Total returns for Global Endurance were +41.31% compared to +12.30% by the All Country World Index for the first half of 2021.

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 Cricut, which I first invested in May 2021. Cricut sells software-enabled electronic cutting machines that enable over 4.9 million users to craft personalized goods (Cricut.com, May 2021). By employing a razor and blades business model the company provides a creativity platform that helps its users create birthday cards, mugs, T-shirts, interior decoration and other products from scratch or by accessing Cricut's growing design library with access to over 125,000 images and 6,000 ready-to-make projects.

This strong user-focused, vertically-integrated platform with a cult community following will allow the company to enable its existing and new users to channel their inner creativity. I believe we own a company which will continue to improve user experience, grow its user base and monetization per user, launch new products and take share in a large market – estimated to be over \$128 billion – while it maintains and builds upon its core competitive advantages of scale and network effects.

Our Cricut stake appreciated 26.15% in the first half of 2021. While Cricut was among our top performers, GameStop, At Home, Party City and Victoria were also important positive contributors to our results. Conversely, JFrog, Fastly, Cardlytics, Royalty Pharma and Goodfood Market were detractors to our performance in the first half of 2021.

It is also important to address GameStop as a top performer given that the company dominated headlines in the first quarter of the year. I first invested in the business in September 2020. At the time, the business was valued at a deep discount to intrinsic value, despite the following factors – the launch of a new video game console cycle, the management team's renewed focus on e-commerce and improving monetization of its loyal customer base, and the company's strong retail footprint in the United States. In early 2021, the share price rose sharply and became divorced from fundamentals. I exited the position completely in February 2021 for risk management purposes.

At Home, a low-cost home furnishing retailer, which we had first invested in August 2019 received a buyout offer from a private equity firm in May 2021. This is the second buyout in the fund's history with the first one being Bellamy's Australia which was acquired by a strategic in 2019. While I am disappointed our compounding runway came to an abrupt conclusion, the investment generated high returns for us during our period of ownership.

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 – 40 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-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 first half of 2021, our top 10 companies accounted for 48.12% of the portfolio and top 20 companies accounted for 72.18% of the portfolio. From a geographic domicile weighting standpoint, our portfolio was 69.90% in United States, 10.11% in United Kingdom, 5.54% in Canada, 2.23% in Japan, 2.21% in Poland, 2.20% in Sweden and 0.89% in Finland.

I am grateful for your trust in Global Endurance.

With best wishes,

Manas Gautam

FUND FACTS		
<b>Launch date</b>	<b>Base currency</b>	<b>Index</b>
30 August 2019	U.S. dollars	MSCI All Country World Net Index

### Calendar Year Returns (%)

**Past performance is not a reliable indicator of future results.**

	YTD	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Class Z Shares	41.33	107.22	--	--	--	--	--	--	--	--	--
MSCI All Country World Net Index	12.30	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](http://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.
- There may be an insufficient number of buyers or sellers which may affect the fund's ability to buy or sell securities.

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- 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 2021 and subject to change daily.

European Bank and Business Centre, 6B route de Trèves, L-2633 Senningerberg, R.C.S. Luxembourg B 29 192. A summary of investor rights is available in English at the same website.

If the management company of the relevant Fund decides to terminate its arrangement for marketing that Fund in any EEA country where it is registered for sale, it will do so in accordance with the relevant UCITS rules.

## 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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