Morgan Stanley Investment Funds

Global Endurance Fund

COUNTERPOINT GLOBAL

Dear Clients,

Total returns for Global Endurance were 0.15% compared to 17.49% for the MSCI All Country World Index for 2024.

The fund's performance recovered from a first-half decline of -8.70% through June. While I am certainly not pleased with these disappointing returns, I take some reassurance in having closed the year in positive territory.

As a reminder, Global Endurance seeks to invest in a select group of companies worldwide that possess durable competitive advantages, sustainable growth potential, valuable business models and exceptional management teams.

Detractors for this year were Victoria, Fastly, NVIDIA (a business we have never owned!), Appian and Eurofins Scientific. I'd like to specifically highlight Victoria plc, which detracted -13.92% from the portfolio, making it the single largest driver of our underperformance.

We have been owners of Victoria since the fund's inception. The company continues to navigate a challenging environment in the European building materials sector. Compounding these difficulties, the company also embarked on a mission to refinance its bonds due in 2026. While a prudent decision, investor concerns over the terms and potential dilution caused the stock to fall precipitously. Finally, as the year drew to a close, the company's stock faced further extreme selling pressure as large investors harvesting tax losses became indiscriminate sellers, rushing for the exit at any price.

Throughout this period, we were buyers. Buying shares of a company as its price continues to fall is a painful exercise. It naturally challenges one's conviction and triggers flight responses as fear takes hold. However, if you have evaluated the situation unemotionally and liked the business at a higher price, you should absolutely love it when the market offers it at a discount. Furthermore, an important point to note is that lower the valuation (as price falls), the less risky the investment starts to become as valuation and risk are inversely correlated. The practice of dollar cost averaging has historically led to strong gains for us. You need not look further than this year's top five contributors – with a special shout out to Carvana – where I have utilized dollar cost averaging to enhance our returns. While it has only been a few weeks into 2025 and Victoria's story is far from over, our year-to-date returns on the business have been quite promising. I look forward to updating you in the half-year letter once the refinancing and restructuring are behind us and the company's operational execution and efficiencies begin to be reflected in the numbers.

Moving on, our top five contributors for the year were Tesla, Carvana, Vistra, Talen and Global-e. These businesses demonstrated strong returns given solid operational execution and fundamentals. From Tesla's impressive Megapack sales, to Vistra and Talen benefitting from surging energy demand due to power-hungry AI models, to the continued recovery in the used car market for Carvana and the growing adoption of Global-e's e-commerce solution by merchants – we saw significant 2024 performance for these individual stocks.

Turning to portfolio positioning, we've sharpened our focus on Utilities and Healthcare – two sectors undergoing fundamental shifts that create compelling opportunities.

Utilities, specifically Independent Power Producers, comprise of 8.46% of our portfolio. They are businesses that I have avoided owning since the inception of the fund as they historically have had low growth dynamics, high operating leverage, significant regulation, and high capital expenditure requirements. However, demand for energy has notably increased in large part due to the current AI and crypto boom, and the ongoing electrification of vehicles. This has led to an acceleration of growth and increased cash flows for these Independent Power Producers, and it has changed the financial profiles of the businesses making them quite compelling investments.

While we have consistently owned healthcare businesses since the fund's inception, our current weighting to the

Healthcare sector is 25.78%, of which Biotechnology businesses comprise the majority of the weighting. My focus on biotechnology warrants further discussion, as the investment thesis originates from the sector's prolonged weakness over the past few years.

While unloved in recent years, biotechnology companies have always been the true R&D engine that big Pharma companies have relied on. Many of these biotech franchises are currently valued well below their intrinsic worth as we enter a year in which Big Pharma will need to find and replace over $150 billion in lost sales due to patent expirations. By acquiring smaller biotech firms, pharmaceutical giants can replenish their portfolio of drugs and leverage their global distribution networks to manufacture and distribute at scale and collect the revenues. This is a win-win solution for both parties as biotechnology companies tend to have limited amounts of capital and focus their time and money on the trials and the science rather than manufacturing and distributing. While a deep understanding of each company's prospects is required, I believe we will see our biotechnology companies develop innovative and effective drugs and ultimately become attractive acquisition targets or ink lucrative royalty deals with larger companies. This, in turn, should reignite investor interest in the sector.

If you look at our portfolio as a mini-conglomerate, as I do, our businesses operate in end markets which we believe are quite diversified. Our mini-conglomerate, for example, owns enterprise software companies, a flooring manufacturer, auto dealerships, energy companies, a defence contractor, luxury goods manufacturers and retailers, building products distributors, e-commerce platforms, a fast food franchise and biotech businesses, to mention a few. These are real businesses that provide meaningful value to their end-customers, and I believe they are undervalued when I compare them to the expensive market-cap weighted indices that I compete against.

Furthermore, my continued preference for investing in unique and lesser-known businesses reinforces my confidence in our portfolio's positioning amid the ongoing hype surrounding specific mega-capitalization stocks. Chasing momentum is not in my DNA, as it can often lead to disappointment. I have a strong preference for fishing in ponds with fewer fishermen, where competition is low, but the fish are just as big.

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 – 31 to be exact – a number which is a fraction of the over 2,600 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 continue to lead us to exceptional businesses around the globe that are 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 2024, our top 10 companies accounted for 52.42% of the portfolio and top 20 companies accounted for 81.37% of the portfolio. From a geographic domicile weighting standpoint, our portfolio was 67.11% in the United States, 15.85% in the United Kingdom, 3.83% in Israel, 3.60% in Germany, 3.18% in Japan, 2.22% in France, 1.52% in Sweden, 1.38% in Australia and 1.25% in China.

I am grateful for your trust in Global Endurance.

With best wishes,
Manas Gautam

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Fund Facts

Launch Date	30 August 2019
Base Currency	U.S. Dollars
Index	MSCI All Country World Net Index

Top 10 Holdings

% of Total Net Assets, as of 31 December 2024. Subject to change

	PORTFOLIO WEIGHT
Victoria PLC	9.62
Appian Corp	9.56
Babcock Intl Group	4.59
Talen Energy	4.48
Lithia Motors Inc	4.34
Tesla Inc	4.29
Avadel Pharmaceuticals	4.13
Vistra Corp	3.98
Global-E Online Ltd	3.83
Delivery Hero	3.60
TOTAL	**52.42%**

Source: FactSet Research Systems, Inc. / Morgan Stanley Investment Management

Returns (%)

Past Performance is not a Reliable Indicator of Future Results

	MTD	QTD	YTD	1 YR	3 YR	5 YR	SI ANNUAL.
Class Z Shares	-3.40	-3.57	0.15	0.15	-18.61	4.57	5.50
MSCI All Country World Net Index	-2.37	-0.99	17.49	17.49	5.44	10.06	11.61

Returns (%)

Past Performance is not a Reliable Indicator of Future Results

	2024	2023	2022	2021	2020
Class Z Shares	0.15	63.84	-67.14	11.92	107.22
MSCI All Country World Net Index	17.49	22.20	-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.** Past performance is no guarantee of future results. Please keep in mind that high double-digit returns are highly unusual and cannot be sustained. Investors should also be aware that these returns were primarily achieved during favorable market conditions. There can be no guarantee that the Fund will achieve its investment objectives or that a portfolio consisting of the team's "best ideas" will experience positive performance.

Share Class Z Risk and Reward Profile

Lower Risk **Higher Risk**

1 2 3 4 5 6 7

Potential Lower Rewards **Potential 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.
- 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 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 2024, and subject to change daily.

This is a marketing communication. 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. Luxemburg B 29 192.

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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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MIDDLE EAST

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