Morgan Stanley
INVESTMENT MANAGEMENT

COMMENTARY
March 31, 2024

Morgan Stanley Institutional Fund

Global Endurance Portfolio

COUNTERPOINT GLOBAL

Performance Review

For the first quarter, the MSIF Global Endurance Portfolio returned 5.42% (net of fees), while the MSCI All Country World Index returned 8.20%. This brings one year returns for the Portfolio to 38.91% versus 23.22% for the index.

Market Review

Speculation about the path of interest rates, hope for a soft landing and ongoing optimism around artificial intelligence (AI) continued to drive markets in the first quarter, with several equity indices reaching all-time highs. A select group of stocks continued to drive performance, with the Magnificent 7 cohort up 17.1%. However, by the end of the quarter, hopes for rate cuts began to fall as inflation continued to surprise on the upside. Against this backdrop, we continue to focus on company-specific fundamentals and our expectations of the businesses' long-term growth potential, which across portfolio holdings have largely remained in line with our expectations.

Portfolio Review

From a sector perspective, stock selection within the Financials and Industrials sectors were the largest contributors to relative performance over the quarter. From a company perspective, **Carvana Co.** and **Toast, Inc.** were two top contributors to quarterly performance.

Carvana offers an intuitive and convenient e-commerce platform for buying, selling and financing used cars in the United States with home delivery and seven-day trials. Leveraging technology to gain efficiencies related to car inspections, reconditioning, financing and logistics, the company has gained market share in a highly fragmented industry to become a top retailer of used cars in the U.S. Over the quarter, Carvana saw its share price increase by over 70%, mainly driven by the company's better-than-expected execution towards positive free-cash-flow (FCF) and operating efficiency improvements, which resulted in GPUs (gross profits per unit) that exceeded previous high-water marks. Furthermore, management guided towards a strong first quarter outlook and noted that key metrics such as average days to sale and average delivery times are down significantly. We continue to believe Carvana's unique consumer offering will continue to change the way people buy cars as customers have not traditionally been satisfied with the existing brick-and-mortar experience. In the longer term, we believe Carvana has the potential to become the dominant player in a very large, but currently fragmented market – estimated to be about $1 trillion. For reference, the largest player has roughly just 2% market share and the top 100 have a total of roughly 11% market share.

Toast, Inc. operates as a cloud-based software company that provides point-of-sale, payment processing, and various software services to restaurant locations across the United States. The business generates sales from software subscription fees, and unlike competitors, Toast intermediates every payment transaction on its platform. Toast's diverse product offerings have high switching costs as they deliver vital solutions that help to improve operations, increase sales, and create a better guest experience. The company posted strong quarterly results, which were marked by strong, continued expansion of business partnerships, growth of higher margin subscription services and a 10% reduction of headcount in non-customer-facing roles. The company added over 6,500 net locations in the fourth quarter and ended the year with approximately 106,000 locations, a 34% increase versus 2022. We continue to believe Toast is well positioned as the leading technology platform in the restaurant industry. We believe Toast will continue to drive cost efficiencies while additional product enhancements and continued execution will further unlock a large market, which has already helped contribute to record location additions this year.

These gains were partially offset by stock selection within Information Technology and Communication Services, which detracted from performance. From a company perspective, two of the largest detractors over the period were **Cricut, Inc.** and **Fastly, Inc.**

Cricut, Inc. is a versatile creativity platform that enables its over 8 million users to craft professional-looking handmade goods through Cricut's connected machines and cloud-based software. Cricut came under pressure after announcing full year 2023 results. While sales came in below expectations as retailers have been taking a more conservative approach to rebuilding inventory levels, Cricut demonstrated strong pricing discipline and cost management, which led to record gross profit and improved operating income margins, underscoring the company's continued trajectory of improved operational efficiency. While the sales headwind should continue into the next quarter, we expect it to be offset by strong underlying product demand supported by upcoming marketing events and continued subscriber count growth. We are especially excited for ongoing improvements that will increase the speed and volume of user projects, drive engagement and ultimately further unlock the company's loyal installed base. We expect the company to continue to generate significant positive cash flow generation and management's long-term guidance remains unchanged. We continue to believe the company can benefit from strong network effects and is well positioned for further profitable growth. We believe there are still large opportunities for growth as both the U.S. and international markets remain highly underpenetrated.

Fastly, Inc. is a global edge network that focuses on content delivery, cybersecurity, and cloud computing services. The company has developed a complex software stack with proprietary and hard-to-replicate processes and technology that have taken more than 10 years to develop and refine. During the first quarter, the company reported strong full year and fourth quarter 2023 results that demonstrate continued progress towards cash flow profitability, a record level of product rollouts, and realized strong momentum from its bundling strategy. Additionally, the company announced an important partnership with Google Chrome. During 2024, the company expects to see gains in customer retention and expansion efforts while operating with continued financial rigor. Despite the strong results and positive outlook, the company’s stock underperformed over the quarter, which we attribute to the market overreacting to management's more conservative guidance for 2024 and the company’s 2023 revenue coming in slightly below consensus. We therefore attribute the underperformance largely to short-term volatility and non-fundamental factors. We continue to believe the company is poised to outcompete legacy players as its innovative platform delivers fast and reliable experiences for a customer base that becomes increasingly sticky as their security, scale, and performance demands increase.

With regard to portfolio positioning and composition, while we are long-term investors, the companies we own today are perennially competing for space in the portfolio with ones we do not. We remain committed to searching for exceptional companies, at the right price. We continue to reassess the competitive advantages and qualitative characteristics of the businesses we own. Strength of the customer value proposition, growth profile and earning power; the track record of management team, and short- and long-term capital needs remain primary concerns when evaluating companies. Overall, company fundamentals and our expectations of the businesses’ long-term growth potential remain in line with our expectations.

We remain active and opportunistic in this market environment and have added to some positions over the quarter while also parting with some businesses due to our assessment of the relative risk/reward profile. Recently we have found some attractive opportunities within the health care sector and initiated new stakes in companies that operate in this space that have long been on our watch list.

The portfolio continues to be concentrated in our best ideas – 29 to be precise, with the top 10 companies accounting for 51.8% of the portfolio. We seek management teams with a strong track record of operational execution, a high level of integrity and an alignment of incentives. As a result, many companies we identify tend to be founder-led or owner-operated. As of March 31, 2024, 89.4% of the portfolio was comprised of these types of companies.

Outlook

As a team, we have never maintained a market outlook, and we believe that basing investment decisions on macro forecasts can be a futile exercise. Instead, our approach focuses on investing with a high hurdle rate in every environment. We believe that time spent understanding a specific company’s fundamentals has higher odds of success than predicting various macroeconomic data points, as fundamentals drive long-term returns. We remain confident in the long-term prospects for the businesses we own, many of which are growing faster than the market as a whole and have large addressable markets. The current portfolio positioning reflects what we believe are the best long-term investment opportunities.

The views, opinions, forecasts and estimates expressed are those of the investment team at the time of writing and are subject to change at any time due to market, economic, or other conditions, and may not necessarily come to pass. These comments are not representative of the opinions and views of the firm as a whole. Portfolio holdings and sectors are subject to change daily. All information provided is for informational purposes only and should not be deemed as a recommendation to buy or sell the securities mentioned or securities in the sectors referenced. Past performance is no guarantee of future results.

Fund Facts

Launch Date	December 31, 2018
Minimum Initial Investment ($)	I Shares – 1,000,000
Benchmark	MSCI All Country World Net Index
Class I Expense Ratio	**Gross: 1.67%**
	Net: 1.00%

Where the net expense ratio is lower than the gross expense ratio, certain fees have been waived and/or expenses reimbursed. These waivers and/or reimbursements will continue for at least one year from the date of the applicable fund's current prospectus (unless otherwise noted in the applicable prospectus) or until such time as the fund's Board of Directors acts to discontinue all or a portion of such waivers and/or reimbursements. Absent such waivers and/or reimbursements, returns would have been lower. Expenses are based on the fund's current prospectus.

Top 10 Holdings

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

	PORTFOLIO WEIGHT
Victoria PLC	7.45%
Appian Corp	7.05%
Floor & Decor Holdings, Inc.	5.07%
Babcock International Group	5.07%
Eurofins Scientific	4.98%
Global-e Online Ltd.	4.82%
Fastly, Inc.	4.52%
Lithia Motors, Inc.	4.30%
Cricut, Inc.	4.29%
Carvana Co.	4.28%
TOTAL	**51.83%**

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

Performance (%) as of March 31, 2024

CLASS I SHARE AT NAV, NET OF FEES

	MTD	QTD	YTD	1 YR	3 YR	5 YR	SINCE INCEPTION*
MSIF Global Endurance Portfolio	4.69	5.42	5.42	38.91	(18.06)	9.17	12.35
MSCI All Country World Index	3.14	8.20	8.20	23.22	6.96	10.92	12.82

**The inception date of the MSIF Global Endurance portfolio is 12/31/2018.*

Performance data quoted represents past performance, which is no guarantee of future results, and current performance may be lower or higher than the figures shown. For the most recent month end performance figures, please visit morganstanley.com/im or call 1-800-548-7786. Investment returns and principal value will fluctuate and fund shares, when redeemed, may be worth more or less than their original cost.

Returns are net of fees and assume the reinvestment of all dividends and income. They are compared to an unmanaged market index. Returns for less than one year are cumulative (unannualized). Performance for one year or more is based on average annual total returns. The returns are reported for Class I shares. Performance for other share classes will vary.

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.

RISK CONSIDERATIONS
There is no assurance that a Portfolio will achieve its investment objective. Portfolios are subject to market risk, which is the possibility that the market values of securities owned by the Portfolio will decline and that the value of Portfolio shares may therefore be less than what you paid for them. Market values can change daily due to economic and other events (e.g. natural disasters, health crises, terrorism, conflicts and social unrest) that affect markets, countries, companies or governments. It is difficult to predict the timing, duration, and potential adverse effects (e.g. portfolio liquidity) of events. Accordingly, you can lose money investing in this Portfolio. Please be aware that this Portfolio may be subject to certain additional risks. In general, **equities securities'** values also fluctuate in response to activities specific to a company.

Investments in **foreign markets** entail special risks such as currency, political, economic, market and liquidity risks. The risks of investing in **emerging market countries** are greater than risks associated with investments in foreign developed countries. **Illiquid securities** may be more difficult to sell and value than publicly traded securities (liquidity risk). Investments in **small- and medium-capitalization companies** tend to be more volatile and less liquid than those of larger, more established, companies. **Privately placed and restricted securities** may be subject to resale restrictions as well as a lack of publicly available information, which will increase their illiquidity and could adversely affect the ability to value and sell them (liquidity risk). **Focused Investing** To the extent that the Fund invests in a limited number of issuers, the Fund will be more susceptible to negative events affecting those issuers and a decline in the value of a particular instrument may cause the Fund's overall value to decline to a greater degree than if the Fund were invested more widely. **Active Management Risk.** In pursuing the Portfolio's investment objective, the Adviser has considerable leeway in deciding which investments to buy, hold or sell on a day-to-day basis, and which trading strategies to use. The success or failure of such decisions will affect performance. To the extent the Portfolio invests a substantial portion of its assets in the **information technology sector**, the Portfolio may be particularly impacted by events that adversely affect the sector, such as rapid changes in technology product cycles, product obsolescence, government regulation, and competition, and may fluctuate more than that of a portfolio that does not invest significantly in companies in the technology sector. To the extent the Portfolio invests a substantial portion of its assets in the **household durables sector**, Portfolio may be particularly impacted by issues that adversely affect the sector, such as changes in consumer confidence, disposable household income and spending, and consumer tastes and preferences. As a result, the Portfolio may fluctuate more than that of a portfolio that does not invest significantly in companies in the household durables sector.

DEFINITIONS
Free Cash Flow (FCF) is a measure of financial performance calculated as operating cash flow minus capital expenditures. FCF represents the cash that a company is able generate after laying out the money required to maintain or expand its asset base.

EBITDA
EBITDA stands Earnings Before Interest, Taxes, Depreciation and Amortization. It is one of the most widely used measures of a company's financial health and ability to generate cash.

INDEX INFORMATION
The **MSCI All Country World Index** (MSCI 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 Indexes are unmanaged and do not include any expenses, fees or sales charges. It is not possible to invest directly in an Index. Any index referred to herein is the intellectual property (including registered trademarks) of the applicable licensor.

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Please consider the investment objective, risks, charges and expenses of the fund carefully before investing. The prospectus contains this and other information about the fund. To obtain a prospectus, download one at

morganstanley.com/im or call 1-800- 548-7786. Please read the prospectus carefully before investing.

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