

Morgan Stanley Institutional Fund
Global Endurance Portfolio



Performance Review

In the quarter period ending December 31, 2025, the Portfolio's I shares returned 3.89% (net of fees)¹, while the benchmark returned 3.29%.

This brings year-to-date returns for the Portfolio to 24.63% (I shares net of fees) versus the benchmark return of 22.34%.

Market Review

Global equities, as measured by MSCI All Country World Index, advanced quarter-to-date to 3.29%, while the Global Endurance Portfolio slightly outperformed, returning 3.89% (I shares net of fees). The benchmark performance was led by Health Care and Financials while Real Estate and Consumer Discretionary underperformed the benchmark.

Tariffs persisted as a driver of uncertainty and overall market volatility, but markets recovered from the U.S. government shutdown and softening labor market. In a context of normalized inflation, the Federal Reserve cut interest rates for the third time in 2025, supporting market performance. Artificial intelligence (AI) optimism and capital expenditures spending continued to drive market gains despite rising overvaluation concerns.

Portfolio Activity

The Health Care sector was the largest contributor to relative performance over the quarter, led by **Rovant Sciences** and **Immunovant**, the top two contributors to quarterly performance.

Rovant Sciences is a biotechnology company leveraging a unique business model to discover, develop, and commercialize drugs in multiple therapeutic areas, and provide technology and data solutions in the health care space. The company was a contributor in the period driven by the promising results of its portfolio companies called "Vants," including Immunovant and Genevant/Arbutus Biopharma. The company reported second fiscal quarter 2026 results with consolidated cash and equivalents of approximately \$4.4 billion, ensuring the company's flexibility to fund its clinical research. Rovant bought \$350 million of Immunovant's \$550 million capital raise that closed on December 12, increasing its ownership to 64.7%. This signals management's conviction in the upcoming Phase 3 anti-FcRn data for Graves' disease and CIDP (chronic inflammatory demyelinating polyneuropathy) expected in 2026. During their first investor day in three years, management from each subsidiary "Vant" presented multiple near-term catalysts across Rovant's three main therapies: Brepocitinib (autoimmune and inflammatory IBD diseases), Immunovant's IMVT-1402 (autoimmune diseases) and Mosliciguat (pulmonary hypertension). A New Drug Application filing for Brepocitinib in dermatomyositis has been pulled forward into 2026 with four data readouts expected concurrently. Immunovant's IMVT-1402 has shown both safety and efficacy with potential best-in-class reductions of 80% in IgG autoantibodies in Graves' disease; multiple readouts are expected from 2026 to 2028 across six potential indications. Despite the volatility of litigation events, we believe the company remains uniquely positioned to benefit from the Arbutus/Genevant trials against Moderna and Pfizer/BioNTech scheduled for March and September 2026, respectively. Our outlook remains unchanged with Rovant strategically developing multiple best-in-class/first-in-class therapies for both orphan diseases and large markets.

Immunovant, is a clinical-stage biopharmaceutical company developing monoclonal antibodies for the treatment of autoimmune diseases. It was a contributor in the period driven by a successful capital raise with majority shareholder and parent company Rovant Sciences, as well as a renewed investor focus of the potential of its lead asset, IMVT 1402. Designed for subcutaneous self-administration via autoinjector, IMVT-1402 raised interest following a well-received investor day presenting in detail its rich pipeline with six potential indications and upcoming catalysts. The company reported second fiscal quarter 2026 results reflecting significant investments, driven by a 17% increase in research and development expenses to support the simultaneous advancement of multiple late-stage trials and clinical updates. It published positive data on batoclimab's potential for disease modification in Graves' disease, an autoimmune disorder attacking the thyroid. The stock rose following a \$550 million equity offering of which \$350 million was purchased by parent company Rovant, increasing its stake to 64.7%. This further strengthens the company's flexibility beyond its already secured financial runway through 2027. Rovant's increased stake signals management's conviction in the upcoming 2026 data

¹ Source: Morgan Stanley Investment Management. Data as of December 31, 2025. Performance for other share classes will vary.

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readout for Graves' disease and CIDP. Graves' disease represents an attractive opportunity given the large unmet medical need due to a lack of any new drug approvals since 1950 and a patient population of which 25%-30% remain uncontrolled on legacy anti-thyroid drugs according to company estimates. Our outlook remains unchanged as we believe Immunovant is well positioned to provide a best-in-class new therapy for Graves' disease with six potential registrational readouts underway for 2026-2028.

These gains were partially offset by security selection in the Consumer Discretionary and Health Care sectors. From a company perspective, two of the largest detractors over the period were **Victoria PLC** and **Floor & Decor Holdings**.

Victoria PLC designs, manufactures and distributes flooring products such as carpets, tiles and artificial grass across the U.K., Europe and Australia. Shares underperformed due to declining sales in a context of weak global flooring demand and a high leverage ratio of 8.6x net debt/EBITDA,² which continue to weigh on investor sentiment. This is despite expanding margins, financial flexibility with an estimated £120 million-£150 million in non-core assets that can be divested to deleverage, and the distress of its main competitor Headlam. We believe Headlam's struggle positions Victoria to grow market share in the U.K. In Australia, Victoria's subsidiary Dunlop Flooring is also well positioned to expand its leading market share and could be a strategic asset to divest. On December 17, the company reported first half 2026 fiscal revenue of £528.7 million, down 7% year-over-year, in the context of industry volume collapsing by 25%. Nevertheless, underlying EBITDA increased 6% to £53.3 million. Margins also successfully expanded 120 basis points (bps) to 10.1% or 390 bps when excluding prior-year hedging impacts and one-off Belgium rug restructuring costs.³ We believe this increased profitability is a testament to the success of management's cost-cutting initiatives and will likely further help Victoria benefit from volume recovery in the cyclical flooring industry. The market is currently focusing on cyclical top-line decline and is overlooking this structural profitability and management's execution in cost and assets optimization. Therefore, despite the disappointing performance, our outlook remains unchanged, with conviction in Victoria to be a winner-take-most, gaining market share amid competitor weakness, further margin expansion with already successful cost initiatives underway, and growing revenue as demand recovers.

Floor & Decor Holdings is a specialty retailer of hard surface flooring. It was a detractor during the period as soft trends in the U.S. hard surface flooring market and consumer discretionary exposure fueled investor caution. However, management's cost control measures leading to successful margin expansion are promising signs of an upcoming market recovery, alongside their sustained warehouse store expansion.

Indeed, the stock traded down despite disclosing on October 30: third quarter 2025 total revenue growth to \$1.18 billion, increasing 5.5% year-over-year, driven by continued new store openings (the company opened five new warehouse stores during the third quarter, bringing the fiscal 2025 total to 12 openings, including warehouse stores and design centers in the U.S. and Canada), slightly beating estimates. Comparable store sales declined 1.2% amid subdued industry volumes and elevated mortgage rates above 6%, limiting housing turnover.

Amid these macroeconomic headwinds in a cyclical industry, management doubled down on cost discipline, successfully improving operating income by 8.6% year-over-year and diluted earnings per share by 10.4% (exceeding the high end of guidance). Investments in new adjacent categories such as outdoor and kitchen cabinetry rolling out nationwide are broadening the company's addressable market, while marketing investments elevate its brand awareness.

On December 26, 2025, Bradley Paulsen, former CEO of Rentokil Terminix and Rexel, stepped in as the new CEO. We believe this is positive news with a highly qualified executive. While the stock has been under pressure, our outlook remains unchanged as we believe the company is well positioned to emerge stronger from the cyclical bottom of the flooring industry with operational improvements, expanding margins, and leading earnings recovery.

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.

The portfolio continues to be concentrated in our best ideas with 23 holdings and the top 10 companies accounting for 56.1% 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 December 31, 2025, 46.9% of the portfolio was comprised of these types of companies.

² Net debt to EBITDA ratio is a measure of a company's leverage, calculated by dividing its net debt by earnings before interest, taxes, depreciation and amortization.

³ One basis point = 0.01%

Strategy and Outlook

Going into 2026, we are confident in our portfolio, a concentrated “mini-conglomerate” of about 25 carefully hand-picked businesses. We have intentionally narrowed our focus to the Health Care and Consumer Discretionary sectors, where we see many opportunities while remaining diversified (e.g., expiring patents in Big Pharma set the stage for biotech merger and acquisition activity).⁴ Our mini-conglomerate, for example, owns an enterprise software company, a flooring manufacturer, an auto dealership, an energy company, a building products distributor, a payment business, a chain of hospitals, and a mattress manufacturer and retailer, on top of some excellent biotech franchises. We believe these businesses provide meaningful value to their end customers, continue to execute against their market opportunity, and remain undervalued relative to their intrinsic value. We focus on unique businesses that are not closely followed. The businesses we are buying tend to be smaller in size but have management teams that are hyper-focused on creating consumer surplus, taking market share, and in turn creating shareholder wealth. They are not going up against the law of large numbers and have a large runway ahead of them. We remain optimistic that in the years ahead our company-focused approach to investing can continue to lead us to exceptional businesses around the globe that are worthy of our capital. We also believe that having cash in the portfolio at opportune times creates a call option that allows us to pounce when opportunities present themselves. The goal is to deploy capital only to those opportunities where the risk-to-reward ratio continues to meet our high hurdle.

Fund Facts

Inception Date	December 31, 2018
Minimum Initial Investment (\$)*	A Shares - 1,000 I Shares - 1,000,000
Benchmark	MSCI All Country World Net Index
Class I expense ratio	Gross 1.69 % Net 1.00 %
Class A expense ratio	Gross 2.04 % Net 1.35 %

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, in effect as of the date of this commentary. For information on the applicable fund's current fees and expenses, please see the fund's current prospectus.

Performance (%)

As of December 31, 2025	MTD	QTD	YTD	1 YR	3 YR	5 YR	10 YR	SINCE INCEPTION
Class I Shares at NAV	1.61	3.89	24.63	24.63	31.60	-3.35	--	12.69
Class A Shares at NAV	1.61	3.82	24.27	24.27	31.17	-3.69	--	12.29
Class A Shares (With Max 5.25% Sales Charge)	-3.73	-1.61	17.78	17.78	28.84	-4.72	--	11.43
MSCI All Country World Net Index	1.04	3.29	22.34	22.34	20.65	11.19	--	14.00

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. 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 (not annualized). Performance for one year or more is based on average annual total returns. The returns are reported for Class I and A shares. Performance for other share classes will vary.

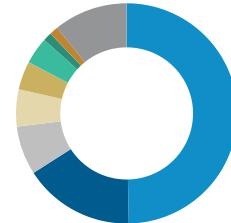
⁴ Diversification neither assures a profit nor guarantees against loss in a declining market.

* Share class availability may vary by platform. For more information, please visit the specified fund page on the website.

Top Holdings (% of Total Net Assets)

	FUND	INDEX
Victoria Plc	7.43	--
Rovant Sciences Ltd	7.16	--
QXO Inc	5.80	--
TEVA PHARMACEUTICAL INDUSTRIES LIMITED	5.77	0.04
Abivax S.A.	5.58	--
TELEFLEX INCORPORATED, Ltd.	5.51	--
Immunovant Inc	5.19	--
Arbutus Biopharma Corp	4.99	--
Belite Bio, Inc	4.32	--
Floor & Decor Holdings Inc	4.31	--
Total	56.06	--

Sector Allocation (% of Total Net Assets)[^]



	FUND	INDEX
Health Care	49.64	9.03
Consumer Discretionary	16.22	10.21
Industrials	7.16	10.63
Information Technology	5.42	27.22
Financials	4.17	17.63
Energy	3.92	3.40
Communication Services	1.29	8.84
Real Estate	1.24	1.75
Consumer Staples	--	5.09
Materials	--	3.66
Utilities	--	2.54
Cash	10.83	--

[^] May not sum to 100% due to rounding.

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.

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. **Derivative instruments** may disproportionately increase losses and have a significant impact on performance.

They also may be subject to counterparty, liquidity, valuation, correlation and market risks. **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).

IMPORTANT INFORMATION

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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 (which includes the applicable fund's current fees and expenses, if different from those in effect as of the date of this commentary), download one at morganstanley.com/im or call 1-800-548-7786. Please read the prospectus carefully before investing.

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