Morgan Stanley Institutional Fund

# Global Endurance Portfolio

COUNTERPOINT GLOBAL

## Performance Review

In the quarter period ending September 30, 2025, the Portfolio's I shares returned 8.96% (net of fees)[1], while the benchmark returned 7.62%.

This brings year-to-date returns for the Portfolio to 19.96% (I shares net of fees) versus the benchmark return of 18.44%.

## Market Review

Global equities, as measured by MSCI All Country World Index, advanced quarter-to-date. Information Technology, Communication Services and Materials led benchmark gains, while Consumer Staples, Real Estate and Health Care underperformed the benchmark.

While tariffs remained a source of uncertainty and overall market volatility, the quarter saw a shift toward a more dovish Federal Reserve stance, with expectations for additional interest rate cuts broadening through year-end. Artificial intelligence (AI) optimism continued to drive market leadership, as enthusiasm for the technology's potential supported strength across several industries.

## Portfolio Activity

From a sector perspective, security selection within Health Care and Energy were the largest contributors to relative performance over the quarter. From a company perspective, **Avadel Pharmaceuticals** and **Arbutus Biopharma** were two top contributors to quarterly performance.

**Avadel Pharmaceuticals** is a biopharmaceutical company focused on innovative therapies for sleep disorders and other central nervous system conditions. The company contributed to performance during the quarter as strong commercial execution and disciplined capital allocation drove the share price higher. In the second quarter of 2025, Avadel reported its first profitable quarter since launch and raised full-year revenue guidance to $265 million-$275 million, above consensus expectations, supported by expanding patient adoption and strong reimbursement and persistency trends. Gross margins remained robust over the quarter at 91%, and operating expenses were well controlled. Broader momentum in the sleep-disorder space, driven by higher diagnosis rates and favorable treatment dynamics, continued to support adoption of its key product, LUMRYZ. During the quarter, Avadel also announced an exclusive global license agreement with XWPharma Ltd. for Valiloxybate, a next-generation, once-at-bedtime GABAB receptor agonist that expands its oxybate-based sleep therapy portfolio beyond narcolepsy. The agreement, valued at up to $225 million, expands Avadel's pipeline. All of these factors combined led to meaningful contribution to portfolio performance during the period.

**Arbutus Biopharma** is a clinical-stage biopharmaceutical company dedicated to developing innovative therapies for viral diseases, with a primary focus on the hepatitis B virus. The company also benefits from a lipid nanoparticle (LNP) patent estate, which gives the company exposure to potential royalties on past COVID-19 vaccine sales, pending its ongoing patent infringement claims against Moderna, Inc. and Pfizer Inc./BioNTech SE. Shares outperformed during the quarter, driven by positive clinical progress in its hepatitis B program and potential upside from its patent claims. Second quarter 2025 results showed total revenue rising sixfold year-over-year to $10.7 million, primarily from deferred revenue related to the Greater China rights for Imdusiran, its RNAi therapeutic for hepatitis B. Net income turned positive at $2.5 million versus a $19.8 million loss a year ago, while research and development expenses fell 56% to $5.5 million as part of a cost-reduction initiative announced in 2024. With $98.1 million in cash and short-term investments, Arbutus appears well-funded to advance its programs. We maintain a positive outlook supported by clinical progress and potential value realization from the ongoing litigation. Our outlook on Arbutus Biopharma remains unchanged, supported by positive clinical progress in its hepatitis B program and potential upside from its ongoing patent litigation, which could unlock significant value if resolved favorably.

These gains were partially offset by security selection in the Consumer Discretionary and Information Technology sectors, which detracted from performance. From a company perspective, two of the largest detractors over the period were **Domino's Pizza Group** and **Victoria PLC.**

[1] Source: Morgan Stanley Investment Management. Data as of September 30, 2025. Performance for other share classes will vary.

**Domino's Pizza Group** detracted from performance after disappointing first half 2025 results and a downward revision to guidance triggered a sharp selloff. Underlying EBITDA (earnings before interest, taxes, depreciation and amortization) declined 7.4% year-over-year and 8% below consensus due to lower supply-chain volumes, rising labor costs and slower store openings. Management lowered full-year EBITDA guidance to £130 million-£140 million (vs. £145 million consensus) and halved its new-store target to the mid-20s from more than 50. Franchisee EBITDA per store also fell 5%, underscoring cost pressures. To reinvigorate growth, on September 8, Domino's launched Chick'n Dip, a chicken-focused sub-brand debuting in 187 stores across northwest England and Northern Ireland. Chief Executive Andrew Rennie described the initiative as a "bold new chapter" and a "significant opportunity" with the "potential to be a powerful new growth lever," aimed at capturing share in one of the fastest-growing segments of casual dining. While the timing of the new-brand launch and the guidance reset drew debate over near-term priorities, the company continues to gain market share in a contracting U.K. takeaway market, supported by strong brand equity, value positioning and industry-leading service times. Ongoing initiatives—including automation to improve supply-chain productivity, a loyalty-program rollout and steady share buybacks—position Domino's for recovery as U.K. consumer trends stabilize.

**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 balance-sheet concerns and weaker consumer demand amid elevated interest rates. The company reported its fiscal year 2025 results for the 52 weeks ended March 2025 on July 24, with below consensus results. Revenue was down 9% year-over-year to £1.12 billion and underlying EBITDA of £113.7 million was 5% below consensus. Despite the soft environment, Victoria is implementing cost-saving programs targeting £70 million in annual savings by fiscal year 2027 through asset sales, restructuring and operational streamlining. The company has also noted it is "actively assessing the various options it has available to refinance Victoria's debt," and in recent months the company has made significant progress in evolving its capital structure to reduce its outstanding debt and extend near-term maturities. We believe strong operational fundamentals are in place, and as housing transactions and home improvement activity rebounds, we expect Victoria's productivity improvements over the last two years to be reflected in the company's earnings. Management remains focused on minimizing controllable costs, driving market share gains and completing integration projects to further drive improvements in operating margins.

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 – 30 to be precise, with the top 10 companies accounting for 51.7% 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 September 30, 2025, 73.4% of the portfolio was comprised of these types of companies.

## Strategy and Outlook

While recent changes in U.S. tariff policy have significantly increased uncertainty and overall market volatility, there has been no change to our investment approach. We continue to believe that basing investment decisions on macro forecasts can be a futile exercise. Instead, our approach focuses on investing with a high hurdle rate through every market 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. Importantly, the fundamental results across portfolio holdings have largely remained in line with our expectations. Additionally, most of our holdings still have low levels of market penetration and operate in large and growing end markets. This leads to a solid outlook in terms of revenue growth and free cash flow generation in the coming years, and we therefore remain confident in the long-term prospects for these businesses. We will continue to carefully consider and monitor fundamental variables, while managing overall portfolio risk and exposures – including geopolitical risk.

## 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.**

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

**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 September 30, 2025* | MTD | QTD | YTD | 1 YR | 3 YR | 5 YR | 10 YR | SINCE INCEPTION |
|---|---|---|---|---|---|---|---|---|
| Class I Shares at NAV | 2.09 | 8.96 | 19.96 | 18.34 | 24.39 | 1.84 | -- | 12.56 |
| Class A Shares at NAV | 2.07 | 8.88 | 19.70 | 17.91 | 23.93 | 1.47 | -- | 12.15 |
| Class A Shares (With Max 5.25% Sales Charge) | -3.28 | 3.13 | 13.44 | 11.71 | 21.74 | 0.38 | -- | 11.26 |
| MSCI All Country World Net Index | 3.62 | 7.62 | 18.44 | 17.27 | 23.12 | 13.54 | -- | 14.01 |

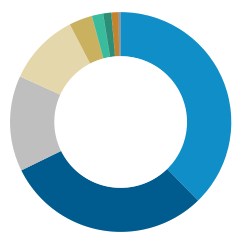
**Performance data quoted represents past performance, which is no guarantee of future results, and current performance may be lower or higher than the figures shown. For the most recent month end performance figures, please visit morganstanley.com/im. Investment returns and principal value will fluctuate 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.

## Top Holdings (% of Total Net Assets)

| | FUND | INDEX |
|---|---|---|
| Victoria Plc | 9.76 | -- |
| Avadel Pharmaceuticals plc | 5.61 | -- |
| Roivant Sciences Ltd | 5.31 | -- |
| Appian Corp | 5.15 | -- |
| HCA Healthcare, Inc. | 4.92 | 0.09 |
| Arbutus Biopharma Corp | 4.50 | -- |
| QXO Inc | 4.49 | -- |
| Floor & Decor Holdings Inc | 4.26 | -- |
| Sotera Health Co. | 3.96 | -- |
| Immunovant Inc | 3.78 | -- |
| **Total** | **51.74** | **--** |

## Sector Allocation (% of Total Net Assets)^



| | FUND | INDEX |
|---|---|---|
| Health Care | 37.71 | 8.50 |
| Consumer Discretionary | 30.10 | 10.65 |
| Information Technology | 14.08 | 27.17 |
| Industrials | 10.61 | 10.70 |
| Energy | 3.41 | 3.46 |
| Materials | 1.65 | 3.58 |
| Real Estate | 1.19 | 1.87 |
| Financials | 1.03 | 17.40 |
| Communication Services | -- | 8.83 |
| Consumer Staples | -- | 5.28 |
| Utilities | -- | 2.55 |
| Cash | 0.32 | -- |

^ 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

The views and opinions and/or analysis expressed are those of the investment team as of the date of preparation of this material and are subject to change at any time without notice due to market or economic conditions and may not necessarily come to pass. Furthermore, the views will not be updated or otherwise revised to reflect information that subsequently becomes available or circumstances existing, or changes occurring, after the date of publication. The views expressed do not reflect the opinions of all investment personnel at Morgan Stanley Investment Management (MSIM) and its subsidiaries and affiliates (collectively "the Firm"), and may not be reflected in all the strategies and products that the Firm offers.

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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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