

MORGAN STANLEY INSTITUTIONAL FUND

Global Endurance Portfolio

COUNTERPOINT GLOBAL | SEMI-ANNUAL COMMENTARY | December 31, 2023

Dear Clients

For the year ending December 31, 2023, total returns for MSIF Global Endurance were +72.56% (net of fees) compared to +22.20% for the MSCI All Country World Index.

Pleased, but not satisfied. This is how I would sum up our performance for 2023. I am pleased that our patience and conviction in the fundamentals of our businesses was finally rewarded as many of our portfolio companies' share prices rebounded sharply this year. Even so, the scars of 2022 remain visible. As I mentioned in my previous letter, one of the ever-lasting lessons learned from 2022 was my mistake in not parting with businesses as valuations got ahead of themselves. This remained top of mind for me this year and as a result, I parted with several companies based on valuations alone. I continue to believe many of them are great businesses and hope they will get offered to us again at attractive prices down the road.

In 2023, our top contributors were: Carvana, Global-e Online, Fastly, Floor & Décor and Roblox while largest detractors were: Victoria, Cricut, Royalty Pharma, Toast and Dollar General. I sold companies such as Amazon, Alphabet, Meta and Tesla, that we had acquired over the past year as valuations soared to a point where the risk-to-reward ratio became unfavorable. I used these profits to fund better ideas – specifically companies with higher growth potential, that can benefit from margin and valuation expansion.

Volatility remained elevated in the public markets throughout the year, which typically displeases the average investor. But if you're like me, and do not equate price volatility with risk, volatility can create opportunities. Companies such as Roblox, Adyen, Eurofins and Dollar General have been on my watchlist for quite some time, but their respective valuations never became attractive enough until this year. When these companies failed to meet the market's short-term expectations and suffered a downturn in their share price, I took advantage and built up our ownership in these companies. Such opportunities present themselves typically for a short period of time so staying up to speed on these businesses and their management teams was key to helping us swiftly analyze each opportunity.

Since the inception of the fund, I made a commitment to put my personal capital at risk along with you in order to create a strong alignment of interests. I also seek this alignment with our portfolio companies and oftentimes many of the companies that we own have management teams that have a significant personal stake in the company themselves, creating an even more powerful alignment of interests. Over 70% of our portfolio is comprised of companies that are founder led or run by an owner-operator, which we define as a CEO or key executive who owns over 5% of the company's outstanding shares. We typically find that these types of management teams possess the commitment to long-term visions that can set these companies up for lasting success.

I continue to be inspired by our founders and owner-operators as they scale their businesses. Long term success is not achieved by simply making one big decision, but rather correctly and consistently making many small, difficult decisions over a long period of time. Thus, it may come as no surprise to you that profitability has been a major focus for most of our companies as the era of low cost of borrowing has come to a sudden end. Not long ago, companies that chose to reinvest in their businesses for future growth, as opposed to being profitable, were somewhat ubiquitous. In fact, much of our success thus far has come from accurately identifying and owning these exact companies when the cost of capital was very low. Now, with the days of easy money behind us, many of these same companies have adapted and prioritized profitability (or at least

breaking-even). In my opinion, this has made them even more durable as they will not be beholden to high borrowing costs or unreliable capital markets.

If you look at our portfolio as a mini conglomerate, like I do, our businesses operate in end-markets which we believe are quite diversified, resilient, and provide meaningful value for customers in their industry. Our mini conglomerate for example, owns home building products, manufacturers and retailers, dollar stores, a video game franchise, payment processors, enterprise software platforms, biopharma royalties and car dealerships.

With passive investing now having officially overtaken actively managed strategies, I find it to be troubling that most of the public is pouring money into products that hug market-cap weighted indices. Given just a few companies have driven the majority of index returns year-to-date, I worry about a new Nifty-Fifty era where market participants continue buying “safe, high quality” stocks at any price. Those “one-decision” (buy!) stocks eventually led to a lot of disappointment and investors inadvertently taking on return-free risk. Don’t get me wrong, these are wonderful businesses, but assuming the same historical, high rate of returns given their size and valuation becomes increasingly less likely. To expect a double over five years is to expect a doubling of already incredibly large cash flows. Instead, I believe the odds of success for our businesses are better since they have longer runways for growth, motivated and aligned management teams, valuable products, growing moats, and trade at reasonable valuations.

I remain optimistic that a company-specific 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.

As a reminder, 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.

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 – 27 to be exact – a number which is a fraction of the over 2,500 companies held in the index we compete against, the fund’s performance may vary in any given year. Our portfolio’s active share, which is a measure of how differentiated we are from our index, is 99%.

At year-end, our top 10 companies accounted for 52.5% of the portfolio and top 20 companies accounted for 84.1% of the portfolio. From a geographic domicile weighting standpoint, our portfolio was 62.8% in United States, 11.9% in United Kingdom, 6.1% in the Netherlands, 5.5% in Israel and 5.4% in France.

Thank you for continued trust and support.

With best wishes,
Manas Gautam

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. 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.

Performance (%) as of December 31, 2023

Class I Shares – Net of Fees

	MTD	QTD	YTD	1 YR	3 YR	5 YR	Since Inception*
MSIF Global Endurance Portfolio	15.49	7.57	72.56	72.56	-13.89	11.81	11.81
MSCI All Country World Index	4.80	11.03	22.20	22.20	5.75	11.72	11.72

*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.

The gross expense ratio is 1.67% for Class I shares and the net expense ratio is 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. The minimum initial investment is \$1,000,000.

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.

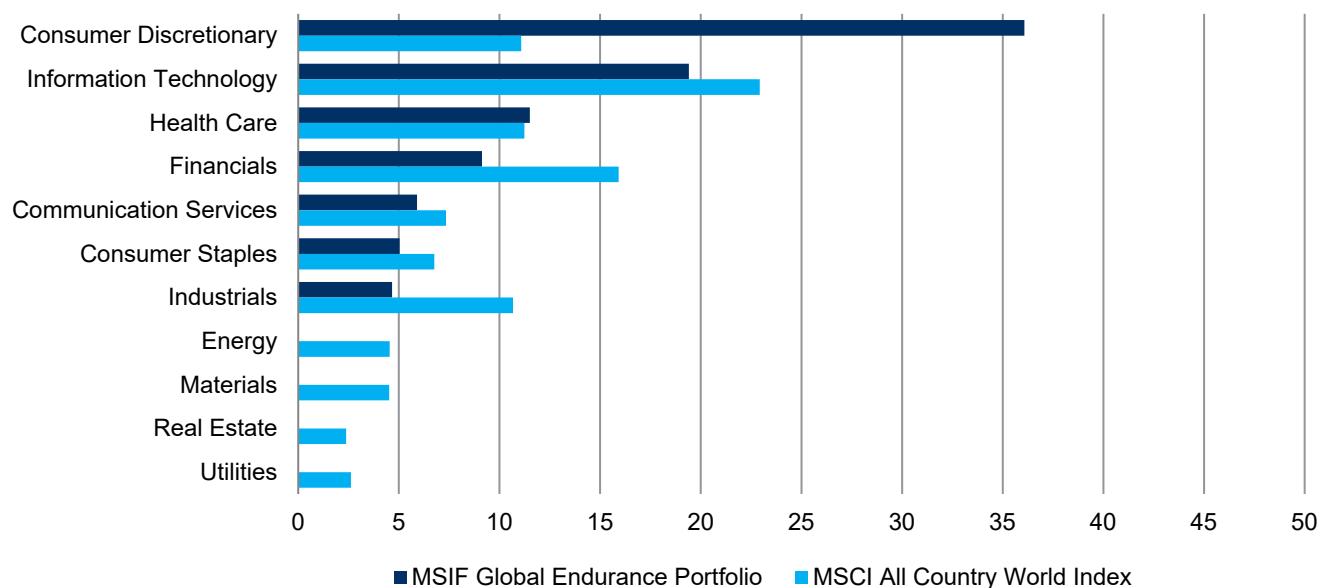
The MSCI All Country (MSCI AC) World Index is a free float-adjusted market-capitalization-weighted index designed to measure the equity market performance of developed and emerging markets. The term "free float" represents the portion of shares outstanding that are deemed to be available for purchase in the public equity markets by investors. The index does not include any expenses, fees or sales charges, which would lower performance. The index is unmanaged and should not be considered an investment. It is not possible to invest directly in an index.

Top 10 Holdings

% of Total Net Assets, as of December 31, 2023. Subject to change

	PORTFOLIO WEIGHT
Victoria PLC	7.2%
Floor & Decor Holdings, Inc.	5.9%
Cricut, Inc.	5.7%
Eurofins Scientific	5.4%
Dollar General Corp.	5.0%
Appian Corp.	4.9%
Fastly, Inc.	4.8%
Lithia Motors, Inc.	4.7%
Babcock International Group	4.7%
Carvana Co.	4.2%
TOTAL	52.5%

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

Sector Allocation As of December 31, 2023

Source: FactSet Research Systems, Inc. / Morgan Stanley Investment Management. Numbers may not add to 100 due to rounding and the exclusion of cash. Subject to change daily. Fund information is provided for informational purposes only and should not be deemed as a recommendation to buy or sell any security or securities in the sectors and countries that may be presented.

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Certain information herein is based on data obtained from third party sources believed to be reliable. However, we have not verified this information, and we make no representations whatsoever as to its accuracy or completeness.

Risk considerations There is no assurance that a mutual fund will achieve its investment objective. Funds 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. 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. **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**). 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. Investments in **small- and medium- capitalization companies** tend to be more volatile and less liquid than those of larger, more established, companies. To the extent that the Fund invests in a limited number of issuers (**focused investing**), 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

Please consider the investment objectives, risks, charges and expenses of the fund carefully before investing. The prospectus contains this and other information about the fund. To obtain a prospectus, contact your financial advisor or download one at morganstanley.com/im. Please read the prospectus carefully before investing.

Morgan Stanley Investment Management is the asset management division of Morgan Stanley.

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