

MORGAN STANLEY INSTITUTIONAL FUND

Global Endurance Portfolio

COUNTERPOINT GLOBAL | SEMI-ANNUAL COMMENTARY | June 30, 2023

Dear Clients

Total returns for Global Endurance were +61.47% compared to +13.93% by the MSCI All Country World Index for the first half of 2023.

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.

I am pleased to report that your patience and unwavering support after a difficult 2022 has paid off in the first six months of 2023. While we are still not out of the woods yet, with signs pointing to a slowing economy, a rebound from the lows of last year is certainly relieving.

Navigating the portfolio over the last year has certainly been a unique experience given we saw the quickest rate hike in recent decades, which not only led to bank-run driven bank failures but general business and consumer uncertainty. Our long-term, fundamental approach to research and investing kept us grounded and acted as a North Star despite the turbulent waters.

Many of you have asked my prediction of what interest rates or the economy will look like in the coming months and years. My answer continues to be “I have no idea”. While the rationale behind the question is logical, I believe it is impossible to predict with any certainty and therefore a futile exercise. Instead, our approach focuses on investing with a high hurdle rate in every environment. Furthermore, we believe that time spent understanding a specific company’s fundamentals, such as its earnings power has higher odds of success than predicting where rates will be and the overall health of the economy. I believe it is more effective to focus on the value of a business and price paid rather than spend any time trying to predict various macroeconomic data points.

Resisting the temptation to pontificate on inflation, interest rates, the economy and other macroeconomic data is deliberate and more a feature than a bug. Focusing on these topics inadvertently diverts attention away from understanding company fundamentals and competitive advantages and drives investors to attempt to time the market, another futile exercise. While some investors may get lucky on the timing, we believe it is just that – luck. Not only would one have to decide when to “exit” a position, they would also need to find the right time to “reenter” or vice versa. Thus, creating not one but two decisions that one must get right. It is for these reasons that I find our time is better spent building conviction around a specific business based on its underlying fundamentals. This allows us to be confident in our decision making while others are rash and impulsive.

In the second half of last year as prices were hitting all-time lows for many of our businesses, I took a “blank sheet of paper” approach to the portfolio. I wanted to make sure that our portfolio was taking maximum advantage of the market drawdown. A crisis is a horrible thing to waste, especially if high quality businesses are being offered at discounted prices. With the aim of maximizing the portfolio’s return for every unit of risk taken, we increased our stake in companies we already own and invested in some new ones. This “upscaling” of the portfolio gives me further comfort that we are well positioned on a go-forward basis.

Given the average U.S. consumer continues to feel the impact of low affordability, inflation, and tightening credit standards, I have observed significant drawdowns in some businesses that have long been on our shopping list. We believe these companies provide a strong consumer value proposition to the average American, and they are resilient businesses whose value is not reflected in the current price.

While large drawdowns are certainly character-testing, what keeps me going during these times of uncertainty is having a healthy dose of optimism, patience, and endurance. We believe investments we make during the toughest times have the potential to provide strong rates of returns. Taking a long-term approach to one's investments inoculates one best from the general vicissitudes of the stock market.

One of the ever-lasting lessons learned from last year was not parting with businesses as valuations got ahead of themselves. Focusing on the long-term potential of the companies and making no changes when prices became too high, too quickly led to immense short-term price pressure on our portfolio and an awful annual outcome. The outcome became worse for some of you if you were forced to sell to meet short-term liquidity needs and were not able to outlast the painful volatility. To those of you I let down in the short-term, I am sorry, and I hope to do right by you with the passage of time. While having a bumpy experience is certainly not ideal, it can be hard to avoid when the emotional pendulum swings sharply in public markets and fear and uncertainty darkens the cloud.

I took this painful lesson learned to heart, and during these past six months we ended up parting with businesses, some of which we have owned since the inception of the Fund. In most cases, the decision to sell was based on valuation – the pendulum had swung from being undervalued to being fairly valued or overvalued. I hope many of these businesses that we know quite well get offered to us again at attractive prices down the road.

As a reminder, while our companies' share prices can vary significantly in any short period 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 – 29 to be exact – a number which is a fraction of the 2,935 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 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.

At the end of the first half of 2023, our top 10 companies accounted for 58.9% of the portfolio and top 20 companies accounted for 87.6% of the portfolio. From a geographic domicile weighting standpoint, our portfolio was 70.7% in the United States, 10.1% in the United Kingdom, 6.7% in Israel, 5.0% in the Netherlands, 3.8% in France and 2.8% in Canada.

I am grateful for your trust in Global Endurance.

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.

INVESTMENT MANAGEMENT

Performance (%) as of June 30, 2023

Class I Shares – Net of Fees

	MTD	QTD	YTD	1 YR	3 YR	5 YR	Since Inception*
MSIF Global Endurance Portfolio	14.97	23.31	61.47	34.49	-0.64	--	11.56
MSCI All Country World Index	5.81	6.18	13.93	16.53	10.99	--	11.37

*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.

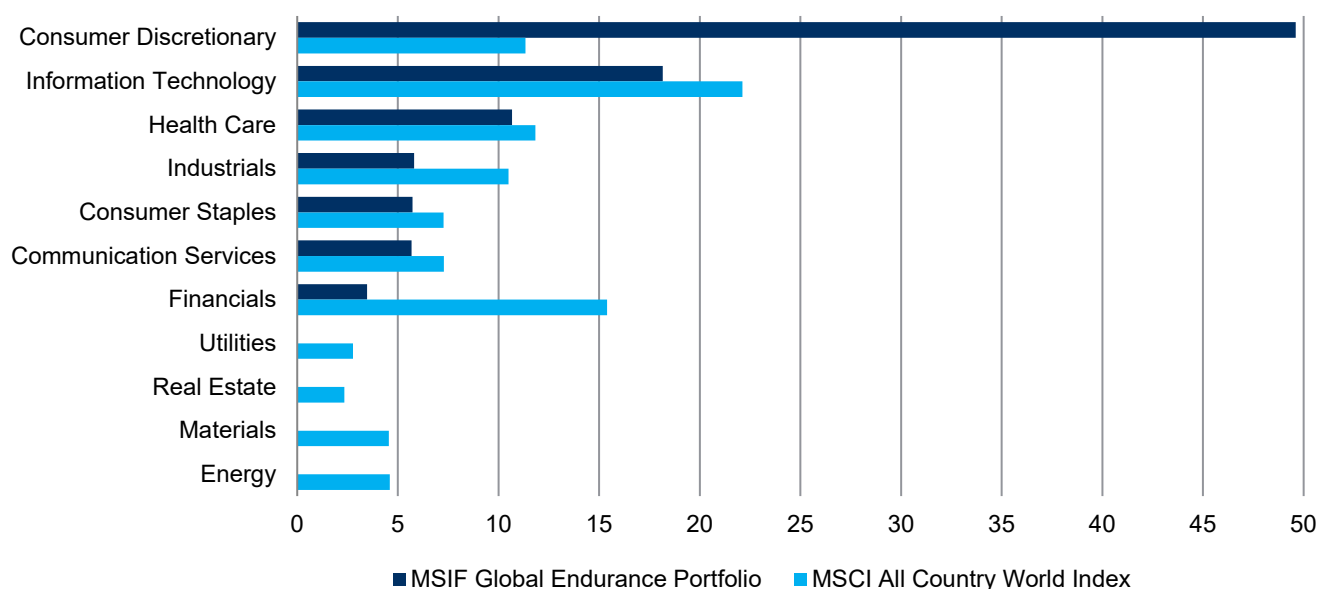
The gross expense ratio is 1.67% for Class I shares and the net expense ratio is 1.00%. Where the net expense ratio is lower than the gross expense ratio, certain fees have been waived and/or expenses reimbursed. These waivers and/or reimbursements will continue for at least one year from the date of 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 Ten Holdings % of Total Net Assets, as of June 30, 2023. Subject to change.

Carvana Co.	9.2
Cricut, Inc.	9.1
Global-e Online Ltd.	6.7
Victoria Plc	6.4
Floor & Decor Holdings, Inc	5.3
Appian Corp.	4.8
Fastly, Inc.	4.7
Bill.com Holdings, Inc.	4.7
Amazon.com Inc.	4.0
HubSpot, Inc.	4.0
TOTAL	58.9

Sector Allocation *As of June 30, 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.

The views and opinions and/or analysis expressed are those of the author or 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) or the views of the firm as a whole, and may not be reflected in all the strategies and products that the Firm offers.

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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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