

MORGAN STANLEY INSTITUTIONAL FUND

Global Endurance Portfolio

COUNTERPOINT GLOBAL | SEMI-ANNUAL COMMENTARY | June 30, 2024

Dear Clients,

Total returns for Global Endurance were -5.29% compared to +11.30% by the MSCI All Country World Index for the first half of 2024.

The first half of this year has not gotten off to a good start. Gains made in the first quarter were given back in the second quarter and we are trailing the index which we compete against. The share price volatility on a day-to-day basis has continued to be elevated. However, it is my belief that the intrinsic value of a business rarely changes (both positively or negatively) in a single quarter to justify such volatile moves.

The true intrinsic value of a company grows when the company continues to innovate and provide a strong consumer proposition, take market share, grow its cash flows and generate strong returns on invested and incrementally invested capital. On the flip side, one should be wary of companies that become complacent or redundant, begin losing market share (which is not overall industry related), declining economics and have lost the ability to delight their end customers. Such changes, both positive or negative, generally play out over a longer period of time and not quarter-to-quarter. I attribute the intra-day, intra-month and even intra-quarter volatility that we have experienced to the casino-like characteristics of the market where participants are more likely than not betting on the most recent news, third-party data or macro view as they oscillate between fear and greed on any given day.

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 – 27 to be exact – a number which is a fraction of the 2,760 companies held in the index we compete against, the Fund's performance may vary in any given year.

When I look at the characteristics of the companies we own, they are run by capable and motivated management teams (82% of the portfolio is founder-led or owner operated), and the majority operate in the mid-cap space with a long runway of growth. Our companies have durable competitive advantages, sustainable growth opportunities, and valuable business models. Identifying these characteristics have been cornerstones of our investment process since day one and I remain steadfast in our investment strategy and process despite the challenging performance over the last three years. Abandoning our process, which is built on sound principles, when we hit a rough patch is arguably the worst decision one could make.

There is no denying that we are being tested by the market where a few exceptional companies are driving majority of the returns for the indices. Something similar occurred during the “nifty fifty” era where market participants continue buying “safe, high quality” stocks at any price. That bubble did eventually burst reminding investors once again that you CAN pay too high a price for any asset and get sub-par returns.

I have nothing original to add to the topic de jour of the index's extreme concentration nor how only a small percentage of stocks have outperformed the index year-to-date other than the fact that momentum is a very powerful force and can continue longer than one would think is rational. Investors who are buying the stocks that are “working” and selling the ones that are not, may be confident in thinking that they will be able to get off the train right before a derailment occurs. I have never had such confidence in my ability to time the market. In most cases I start buying when businesses appear cheap (and they tend to get cheaper) and start selling when their valuation is fair, sometimes even foregoing the gains that may arise from momentum working in our

favor. Kindness of strangers (or Greater Fool's Theory as it is widely known) does not make for a winning strategy.

If you look at our portfolio as a mini-conglomerate, as I do, our businesses operate in end markets which we believe are quite diversified. Our mini conglomerate for example, owns enterprise software companies, flooring producers and retailers, an auto OEM and energy company, a defense contractor, a hospital franchise, a global testing and certification company, car dealerships, an investment brokerage, e-commerce platforms, and a biopharma royalties business. These are real businesses that provide meaningful value for customers in their industry, and we believe they will continue to execute upon their strategy and compound capital while navigating through all the uncertainty the world throws at them.

I believe the portfolio is well positioned as we head into the second half of the year given its high active share and minimal exposure to the semiconductors, "safe, low-beta stocks" or companies that are referred to as the Magnificent 7. Additionally, valuations are quite compelling for many of our companies and as we exit this high interest rate, momentum driven environment, I expect our companies share prices to more accurately reflect their strong, underlying fundamentals. 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 2024, our top 10 companies accounted for 55.2% of the portfolio and top 20 companies accounted for 88.7% of the portfolio. From a geographic domicile weighting standpoint, our portfolio was 63.8% in the United States, 16.8% in the United Kingdom, 4.7% in France, 4.2% in Israel, 3.8% in Japan, 3.0% in South Korea, 2.3% in Germany and 1.2% in Sweden.

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, 2024

Class I Shares – Net of Fees

	MTD	QTD	YTD	1 YR	3 YR	5 YR	Since Inception*
MSIF Global Endurance Portfolio	-3.22	-10.16	-5.29	1.21	-24.06	6.25	9.60
MSCI All Country World Index	2.23	2.87	11.30	19.38	5.43	10.76	12.79

*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, in effect as of the date of this document. 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.

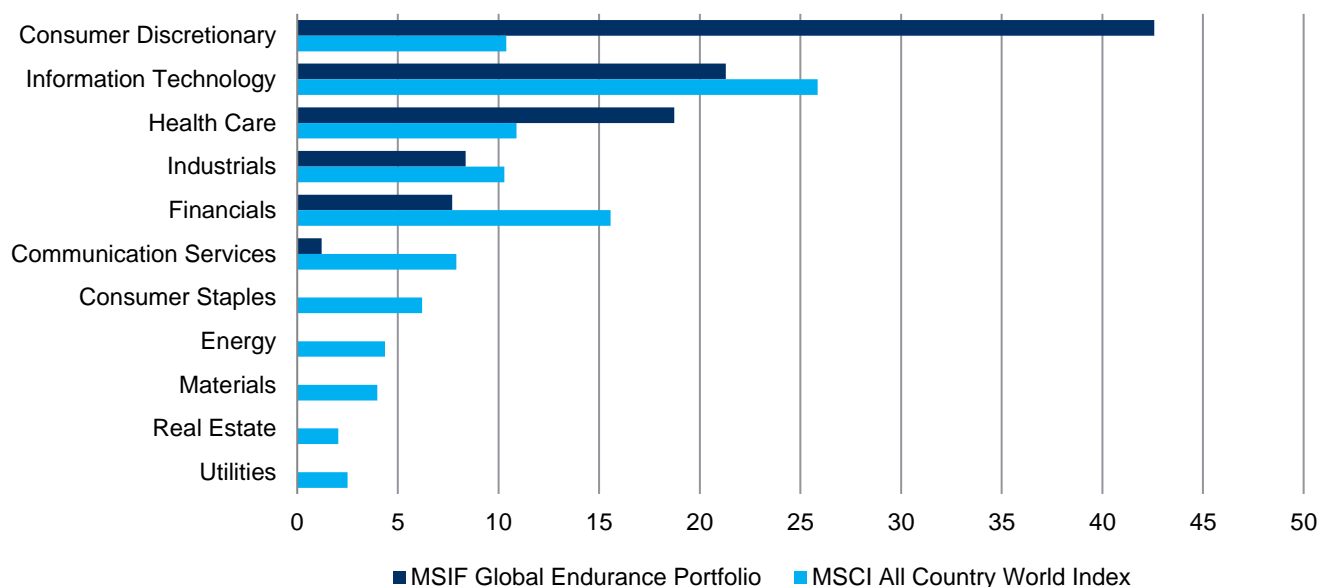
Top 10 Holdings

% of Total Net Assets, as of June 30, 2024. Subject to change

	PORTFOLIO WEIGHT
Appian Corp	8.97
Victoria PLC	8.76
Tesla Inc.	5.68
Babcock International Group	5.23
HCA Healthcare	4.70
Eurofins Scientific SE	4.67
Cricut, Inc.	4.51
Floor & Decor Holdings, Inc.	4.40
Global-e Online Ltd.	4.20
Bill Holdings	4.13
Total/Average	55.25%

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

Sector Allocation As of June 30, 2024



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, (which includes the applicable fund's current fees and expenses, if different from those in effect as of the date of this document), contact your financial advisor or download one at morganstanley.com/im. Please read the prospectus carefully before investing.

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