

MORGAN STANLEY INSTITUTIONAL FUND

Global Endurance Portfolio

ACTIVE FUNDAMENTAL EQUITY | COUNTERPOINT GLOBAL | DECEMBER 31, 2019

Dear Clients:

Total returns for Global Endurance were +30.30% compared to +26.60% by the All Country World Index for the year.

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.

One such company was Carvana. Carvana is an e-commerce platform for buying and selling used cars online. The company provides a national inventory with over 21,000 cars and an in-house logistics network that facilitates the convenience of shopping online – open 24/7, home delivery, large selection and haggle-free pricing – while offering over \$1,000 savings per car over traditional dealers to its customers.

This strong consumer offering will, in my opinion, allow the company to continue to change the way people buy cars. Their simple and seamless car buying experience resonates with customers, as demonstrated by the extraordinary customer service rating of 4.7 (Carvana.com, September 30, 2019) out of 5 in an industry traditionally mistrusted and even dreaded by consumers. I believe we own a company which will continue to take share in a large market – estimated to be \$764 billion – while it maintains and builds upon its core competitive advantages of scale and network effects.

Our Carvana stake appreciated 181.41% in 2019. While Carvana was our top performer, Cardlytics, Constellation Software, Copart and HEICO Corporation were also important positive contributors to our results. Conversely, GTT Communications, Metro Bank, Blue Prism, Victoria and Wayfair were the biggest detractors to our performance this year.

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 – 29 to be exact – a number which is a fraction of the over 3,000 companies held in the index we compete against, the fund's performance may vary in any given year.

I remain optimistic that a bottom-up 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 year-end, our top 10 companies accounted for 56.83% of the portfolio and top 20 companies accounted for 85.60% of the portfolio. From a geographic domicile weighting standpoint, our portfolio was 64.64% in United States, 10.77% in Canada, 9.35% in United Kingdom, 5.84% in New Zealand, 4.30% in Sweden, 2.96% in Germany and 1.06% in South Africa.

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.

Performance (%) as of December 31, 2019

Class I Share at NAV

	MTD	QTD	YTD	1 YEAR	3 YEAR	5 YEAR	Since Inception*
MSIF Global Endurance Portfolio	-0.46	11.37	30.30	30.30	--	--	30.30
MSCI All Country World Index	3.52	8.95	26.60	26.60	--	--	26.60

*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 2.19% 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 \$5,000,000.

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.

Short-term returns may not be indicative of the fund's long-term performance potential. A fund's performance, especially for very short time periods, should not be the sole factor in making your investment decision.

Top Ten Holdings % of Total Net Assets, as of December 31, 2019. Subject to change.	
Carvana Co.	9.6
XPO Logistics	6.7
Cardlytics	6.4
Ryman Healthcare	5.8
Constellation Software	5.8
Colliers International Group	5.0
Smartsheet	4.9
UnitedHealth Group	4.2
Fastly	4.2
Victoria	4.1
Total	56.8

Sector Break Down As of December 31, 2019. Numbers may not add to 100% due to rounding. Subject to change.

	MSIF Global Endurance Portfolio Weight (%)	MSCI AC World Index Weight (%)	Under/Overweight vs. MSCI AC World (%)
Overweight			
Consumer Discretionary	24	11	13
Information Technology	28	17	11
Industrials	15	10	5
Real Estate	5	3	2
Market weight			
Health Care	18	12	6
Underweight			
Communication Services	6	9	-2
Utilities	0	3	-3
Energy	0	5	-5
Materials	0	5	-5
Consumer Staples	0	8	-8
Financials	1	17	-16
Cash*	1		

*Cash is frictional

This material is a general communication, which is not impartial and all information provided has been prepared solely for informational and educational purposes and does not constitute an offer or a recommendation to buy or sell any particular security or to adopt any specific investment strategy. The information herein has not been based on a consideration of any individual investor circumstances and is not investment advice, nor should it be construed in any way as tax, accounting, legal or regulatory advice. To that end, investors should seek independent legal and financial advice, including advice as to tax consequences, before making any investment decision.

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. 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. **Illiquid securities** may be more difficult to sell and value than public traded securities (liquidity risk).

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.

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.

NOT FDIC INSURED	OFFER NO BANK GUARANTEE	MAY LOSE VALUE	NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY	NOT A DEPOSIT
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