

MORGAN STANLEY INSTITUTIONAL FUND

Global Permanence Portfolio

COUNTERPOINT GLOBAL | COMMENTARY | DECEMBER 31, 2020

Performance Review

Counterpoint Global seeks high quality companies, which we define primarily as those with sustainable competitive advantages. We manage concentrated portfolios that are highly differentiated from the benchmark, with securities weighted on our assessment of the quality of the company and our conviction. The value added or detracted in any period of time will typically result from stock selection, given our philosophy and process. For the quarter, the Global Permanence Portfolio (Class I) returned 13.59%, and the MSCI All Country World Index returned 14.68%.

The long term investment horizon and conviction weighted investment approach embraced by the team can result in periods of performance deviation from the benchmark and peers. The portfolio underperformed the benchmark this quarter largely due to unfavorable sector allocations.

Global equities, as measured by the MSCI All Country World Index, continued to advance over the quarter. Energy and Financials posted the largest gains in the MSCI All Country Index. All sectors posted positive returns over the period, however, Consumer Staples and Health Care were the relative laggards. Against this backdrop, our team continued to focus on stock selection and the long-term outlook for companies owned in the portfolio.

Materials was the top detractor in the portfolio this quarter, due to mixed stock selection. Danish bioscience company Chr Hansen was the top detractor both in the sector and across the portfolio. The company announced a reshuffling of its portfolio of businesses, including the sale of its natural colors segment. While these changes can improve the company's longer term growth prospects, we believe investor concerns about near-term profitability trends may have weighed on performance during the quarter.

Financials also weighed on relative performance, due to stock selection and the portfolio's average sector underweight position. S&P Global was the second greatest detractor in the portfolio. Its shares traded down modestly following the company's announced acquisition of IHS Market, a company which provides information and decision-support tools largely to the energy and engineering industries. We believe the underperformance is due to investors digesting the potential near-term headwinds to S&P Global from acquisition integration and the slowing fundamentals in its rating business.

Stock selection in Communication Services and Real Estate also detracted, to a lesser extent.

Conversely, Information Technology was the top contributing sector in the portfolio this quarter, due to strong stock selection. Semiconductor equipment maker ASML was the greatest contributor both in the sector and across the portfolio. Its shares advanced on healthy results supported by strong fundamentals across the global semiconductor industry, driven by growth in 5G rollouts, release of new mobile devices, and solid PC demand.

Stock selection in Consumer Discretionary, Energy, Health Care, and Industrials also aided relative performance, as did a lack of exposure to Utilities. Luxury goods conglomerate Christian Dior and aerospace parts maker Heico were the largest contributors among these areas and the second and third greatest, respectively, across the portfolio. Christian Dior continued to benefit from the recovery in the luxury goods markets, particularly in Asia; the company was also able to successfully renegotiate its acquisition of US jewelry retailer Tiffany at a slightly lower

price. Heico shares advanced on financial results that, while still adversely impacted by the pandemic's impact on the overall commercial aerospace sector, beat consensus expectations.

Lastly, Consumer Staples had an overall negligible impact on relative performance over the period.

Outlook

As a team, we believe having a market outlook can be an anchor. Our focus is on assessing company prospects over a five year horizon, and owning a portfolio of unique companies whose market value we believe can increase significantly for underlying fundamental reasons.

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, 2020

Class I Share at NAV

	MTD	QTD	YTD	1 YEAR	3 YEAR	5 YEAR	Since Inception*
MSIF Global Permanence Portfolio	5.35	13.59	27.06	27.06	--	--	19.73
MSCI All Country World Index	4.64	14.68	16.25	16.25	--	--	15.35

* The inception date of the MSIF Global Permanence portfolio is 04/30/2019.

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 12.79% 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, 2020. Subject to change.

Royalty Pharma	5.3
ASML Holding	5.0
FirstService	4.9
Constellation Software	4.8
Hermes International	4.8
Christian Dior	4.2
Walt Disney Co.	3.6
HDFC Bank	3.6
Costco Wholesale	3.6
Veeva Systems	3.6
Total	43.4

Sector Break Down <i>As of December 31, 2020. Numbers may not add to 100% due to rounding. Subject to change.</i>			
	MSIF Global Permanence Portfolio Weight (%)	MSCI AC World Index Weight (%)	Under/Overweight vs. MSCI AC World (%)
Overweight			
Industrials	17	10	7
Materials	11	5	6
Health Care	14	12	2
Consumer Staples	9	7	2
Real Estate	5	3	2
Market weight			
Consumer Discretionary	14	13	1
Energy	2	3	-1
Underweight			
Utilities	0	3	-3
Financials	9	13	-4
Communication Services	4	9	-5
Information Technology	13	22	-9
Cash*	3		

*Cash is frictional.

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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. 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 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 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, download one at morganstanley.com/im or call 1.800.548.7786. Please read the prospectus carefully before investing.

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

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