

MORGAN STANLEY INSTITUTIONAL FUND

Permanence Portfolio

ACTIVE FUNDAMENTAL EQUITY | COUNTERPOINT GLOBAL | COMMENTARY | JUNE 30, 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 Permanence Portfolio returned 25.70%, and the S&P 500 Index returned 20.54%.

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 outperformed the benchmark this quarter primarily due to favorable stock selection; sector allocations also contributed, to a lesser extent.

U.S. large cap equities, as measured by the S&P 500 index, rebounded strongly over the quarter. All sectors advanced over the period. Consumer Discretionary, Energy, and Information Technology posted the largest gains in the S&P 500 Index, while Utilities and Consumer Staples 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.

Health Care was by far the top contributor in the portfolio this quarter, due to favorable stock selection. Veeva Systems, which provides cloud-based software solutions to the life sciences industry, was the top contributor in Health Care and across the portfolio. Fundamentals remain strong at Veeva, as the company reported revenue and profitability that beat consensus estimates, demonstrating the resilience of the company's business model. To address evolving industry needs during the pandemic and continue fostering strong partnerships with its customers, Veeva also launched new relevant products to help support the shift to more digital workflows in areas like physician engagement and clinical trials.

Stock selection and sector allocations to Communication Services, Consumer Staples, and Financials also contributed, as did a sector overweight in Materials, and a lack of exposure to Utilities. Water treatment and hygiene services provider Ecolab was the top contributor among these areas and the second greatest across the portfolio. Its shares recovered over the quarter on stronger than expected results; a backdrop of gradual U.S. state re-openings and country re-openings in the E.U. and across Asia also improved investor sentiment on the shares, which had been plagued by concerns around the company's exposure to areas which have been experiencing lower demand during the COVID-19 pandemic including dine-in restaurants, lodging, travel, casino, cruise, and entertainment.

Stock selection in Energy and Information Technology also contributed, although this was partly offset by the adverse impact of a sector underweight position in each sector. In Information Technology, a number of holdings in the IT Services and Software areas contributed to relative results. This was partly offset, however, by the portfolio's positions in Apple and Microsoft, which were the two greatest detractors across the portfolio. Shares of Apple, a global leader in innovative and attractively designed PC and mobile devices, advanced on solid results that beat Street estimates, aided by strength in its Services and App Store business segments. Apple was a detractor due to an average underweight position in the portfolio. Shares of software and cloud services provider Microsoft also rose over the quarter on solid fundamentals including accelerating revenue growth, gross margin expansion, and

particular strength in its Productivity & Business Process and Intelligent Cloud businesses. Like Apple, Microsoft was a detractor due to an average underweight position in the portfolio.

Lastly, stock selection in Industrials also contributed.

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 June 30, 2020

Class I Share at NAV

	MTD	QTD	YTD	1 YEAR	3 YEAR	5 YEAR	Since Inception*
MSIF Permanence Portfolio	2.11	25.70	--	--	--	--	25.70
S&P 500 Index	1.99	20.54	--	--	--	--	20.54

* The inception date of the MSIF Permanence portfolio is 3/31/2020.

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 1.46% for Class I shares and the net expense ratio is 0.85%. 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 June 30, 2020. Subject to change.

Amazon.com	7.4
Veeva Systems	6.0
HEICO Corp.	5.1
Ecolab	5.1
Intuitive Surgical	4.9
Autodesk	4.3
Microsoft	3.8
Royalty Pharma	3.8
ASML Holding	3.7
Nike	3.4
Total	47.5

Sector Break Down *As of June 30, 2020. Numbers may not add to 100% due to rounding. Subject to change.*

	MSIF Permanence Portfolio Weight (%)	S&P 500 Index Weight (%)	Under/Overweight vs. S&P 500 (%)
Overweight			
Consumer Discretionary	18	11	7
Industrials	15	8	7
Materials	10	3	7
Health Care	17	15	2
Market weight			
Energy	2	3	-1
Real Estate	2	3	-1
Underweight			
Utilities	0	3	-3
Financials	6	10	-4
Consumer Staples	3	7	-4
Information Technology	22	27	-5
Communication Services	5	11	-6
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 Portfolio will achieve its investment objective. Portfolios 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 publicly traded securities (liquidity risk). **Focused Investing.** To the extent that the Fund invests in a limited number of issuers, 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.

The **S&P 500® Index** measures the performance of the large cap segment of the U.S. equities market, covering approximately 75% of the U.S. equities market. The Index includes 500 leading companies in leading industries of the U.S. economy. 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.

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