

MORGAN STANLEY INSTITUTIONAL FUND

Vitality Portfolio

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

Performance Review

For the six-month period, the Vitality Portfolio returned 12.84% (net of fees), while the Russell 3000 Health Care Index returned -0.17%.

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.

The long-term investment horizon and conviction weighted, highly active investment approach embraced by Counterpoint Global can result in periods of performance deviation from the benchmark and peers. The portfolio outperformed the Russell 3000 Health Index this period due to favorable stock selection.

Health Care equities, as measured by the Russell 3000 Health Care Index, declined slightly over the period. Managed Health Care, Biotechnology, and Life Sciences Tools and Services were the largest relative sub-industry underperformers in the Russell 3000 Health Care Index. Health Care Equipment, Health Care Facilities, and Health Care Supplies were the largest contributors in the index. Against this backdrop, Counterpoint Global continued to focus on stock selection and the long-term outlook for companies owned in the portfolio.

Recession fears, downside earnings risks for 2023, and the recent failure of several U.S regional banks continued to weigh on broader market sentiment and contributed to continued volatility. Against this backdrop, we continued to focus on company-specific fundamentals, which, across portfolio holdings have largely remained healthy and in-line with our expectations. We continue to own many high-quality companies with attractive end-game potential and multiple competitive advantages. We believe today's market offers an attractive opportunity to buy unique companies with strong fundamentals that can be long-term winners over the next three to five years. While we have opportunistically added to some positions and initiated new ones, overall, we have made few changes as we remain confident in the long-term prospects for the businesses we own.

Life Sciences Tools and Services was the largest relative contributor in the portfolio due to favorable stock selection. 10X Genomics was the top contributor in the sub-industry and third greatest across the portfolio. 10X Genomics is a life science tools company focused on single cell sequencing. Its shares advanced as the company reported better than expected revenue growth, driven by the recent successful launch of two new sequencer systems. Management also raised revenue guidance and reiterated its goal of achieving positive free cash flow this fiscal year, which further buoyed investor sentiment.

Health Care Technology was the second greatest contributor due to strong stock selection and the favorable impact of

an average overweight position in the sub-industry. Schrodinger, a developer of molecular design software that aids drug discovery, was the top contributor across the portfolio. Its shares outperformed due to greater market demand for artificial intelligence and machine learning technologies that can be employed throughout the drug development lifecycle.

Biotechnology was also a contributor due to favorable stock selection. Exact Sciences Corporation, a diagnostics company specializing in the screening and detection of early-stage cancers, was the second greatest contributor across the portfolio. The company reported strong results driven by better-than-expected sales of their next-generation colon cancer screening test, Cologuard, as well as robust five year financial targets and an impressive product pipeline. Within the sub-industry, the strength in Exact Sciences Corporation was partially offset by weakness Alnylam Pharmaceuticals and Moderna, the largest and fourth largest detractors across the portfolio. Alnylam Pharmaceuticals is a clinical-stage biotechnology company developing RNA interference therapeutics for the treatment of serious, life-threatening diseases. Despite reporting overall solid results and the underlying potential in pipeline assets, its shares languished due to investor concerns regarding their near-term product launch and FDA Advisory Committee approval risk. Moderna is a biotechnology company that specializes in drug discovery and drug development based on messenger RNA technology. Despite reporting solid results and having a strong pipeline of new therapies, its shares languished due to investor concerns around declining in demand for its Covid-19 vaccine.

Stock selection in Pharmaceuticals, Health Care Supplies, Health Care Services, Health Care Equipment, and Other Specialty Retail, as well as an average underweight position in Managed Health Care, each also contributed to relative results. Within Pharmaceuticals, several holdings contributed however this was partly offset by the portfolio's position in Royalty Pharma, which was the third greatest detractor across the portfolio. Royalty Pharma is one of the largest buyers of biopharmaceutical royalties and a leading funder of innovation across academic institutions, non-profits, biotechnology, and pharmaceutical companies. The company reported solid results, however its shares remained pressured due to investors' ongoing concerns around clinical trial results for a few of its partners' new therapies and the impact to potential related royalties.

Conversely, the portfolio's positioning in Health Care Facilities and Health Care Distributors—sub-industries the portfolio has no exposure to—was a slight detractor.

Lastly, a lack of exposure to several smaller sub industries including Life and Health Insurance, Electronic Equipment and Instruments, and Personal Care Products each had an overall negligible impact on relative performance.

Outlook

Counterpoint Global looks to own a portfolio of unique companies with diverse business drivers, strong competitive advantages and positioning, and healthy secular growth prospects whose market value we believe can increase significantly over the long-term for underlying fundamental reasons, independent of the macro or market environment. We find these companies through fundamental research. Our emphasis is on secular growth, and as a result short-term market events are not as meaningful in the stock selection process.

Counterpoint Global believes having a market outlook can be an anchor. We focus on assessing company prospects over a five-year investment horizon. Current portfolio positioning reflects what we believe are the best long-term investment opportunities.

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.

INVESTMENT MANAGEMENT

Performance (%) as of June 30, 2023

Class I Share at NAV

	MTD	QTD	YTD	6 MONTHS	1 YEAR	3 YEAR	5 YEAR	SINCE INCEPTION*
MSIF Vitality Portfolio	7.15	7.86	12.84	12.84	12.58	---	---	-22.81
Russell 3000 Health Care Index	4.21	3.32	-0.17	-0.17	5.87	---	---	-4.50

*The inception date of the MSIF Vitality portfolio is December 31, 2021.

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 12.50% for Class I shares and the net expense ratio is 0.95%. Where the net expense ratio is lower than the gross expense ratio, certain fees have been waived and/or 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 for Class I shares. The minimum initial investment may be waived in certain situations. Please see the Fund's prospectus for additional information.

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.

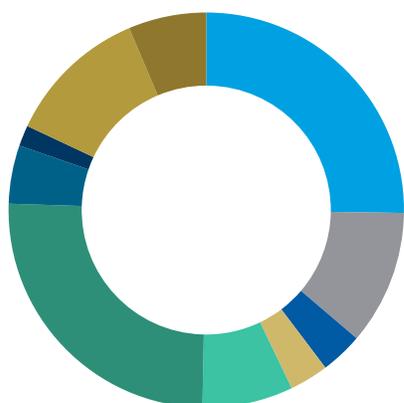
Please keep in mind that high double-digit returns are highly unusual and cannot be sustained. Investors should also be aware that these returns were primarily achieved during favorable market conditions.

The **Russell 3000® Health Care Net Index** is a capitalization weighted index of companies involved in medical services or health care. 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. Any index referred to herein is the intellectual property (including registered trademarks) of the applicable licensor.

Top Ten Holdings *% of Total Net Assets, as of June 30, 2023. Subject to change.*

Eli Lilly & Co.	5.9
10x Genomics	5.7
Exact Sciences	4.9
UnitedHealth Group	4.8
Thermo Fisher Scientific	4.8
Inspire Medical Systems	4.5
Intuitive Surgical	4.5
Vertex Pharmaceuticals	4.2
Argenx	4.1
Stevanato Group	3.7
Total	47.1

Sub-Industry Allocation % of Total Net Assets, as of June 30, 2023. Subject to change.



	FUND	INDEX
● Biotechnology	24.9	19.0
● Health Care Equipment	10.9	20.4
● Health Care Services	3.4	3.1
● Health Care Supplies	3.1	1.6
● Health Care Technology	7.3	0.9
● Life Sciences Tools & Services	24.9	11.2
● Managed Health Care	4.7	11.9
● Other Specialty Retail	1.7	0.0
● Pharmaceuticals	11.5	29.2
● Cash	6.3	--

Source: FactSet Research Systems, Inc./Morgan Stanley Investment Management. Cash is frictional and accounted for 6.28% of the portfolio.

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This material has been prepared on the basis of publicly available information, internally developed data and other third-party sources believed to be reliable. However, no assurances are provided regarding the reliability of such information and the Firm has not sought to independently verify information taken from public and third-party sources.

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. The **healthcare industry** can be affected by various political, economic, regulatory, and supply-and-demand factors. Furthermore, it can be subject to government approval of products and services, which could have an effect on price and availability, and can be affected by rapid obsolescence and patent expirations. 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**). **Derivative instruments** may disproportionately increase losses and have a significant impact on performance. They also may be subject to counterparty, liquidity, valuation, correlation and market risks. **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). Stocks of **small- and medium-capitalization companies** entail special risks, such as limited product lines, markets and financial resources, and greater market volatility than securities of larger, more established companies. **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.

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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