

## MORGAN STANLEY INSTITUTIONAL FUND

# Global Permanence Portfolio

COUNTERPOINT GLOBAL | COMMENTARY | JUNE 30, 2023

## Performance Review

For the quarter, the Global Permanence Portfolio (Class I) returned 4.96%, and the MSCI All Country World Index returned 6.18%.

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 underperformed the MSCI All Country World Index this quarter due to unfavorable stock selection.

Global equities, as measured by the MSCI All Country World Index, advanced over the quarter. Information Technology, Consumer Discretionary and Communication Services posted the highest return in the MSCI All Country World Index. The majority of sectors advanced over the period; however, Materials, Utilities and Consumer Staples, posted negative returns and were the relative underperformers in the index.

Recession fears, downside earnings risks for 2023, and the recent failure of several U.S regional banks continued to weigh on 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, strong balance sheets, 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.

Health Care was the top detractor in the portfolio this quarter due to unfavorable stock selection. Royalty Pharma, one of the largest buyers of biopharmaceutical royalties and a leading funder of innovation across academic institutions, non-profits, biotechnology, and pharmaceutical companies, was the top detractor across the portfolio. 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. Illumina, a commercial-stage life sciences tool and diagnostic testing company that is a leader in Next Generation Sequencing, was the second greatest detractor across the portfolio. The company reported better than expected results, however its shares languished due investor concerns around the company facing

a potential hefty European Union antitrust fine for acquiring GRAIL without its approval. The potential divestiture of GRAIL, and the resignation of its CEO following a contentious proxy battle with an activist investor, also weighed on Illumina shares.

Information Technology was the second greatest detractor across the portfolio due to mixed stock selection. The portfolio's lack of exposure to strong performers in the Hardware Storage and Semiconductors industries weighed on relative results, however, this was partly offset by the positive contribution from Cloudflare. The company, which offers a global cloud platform that provides security, performance, and reliability services to the applications of its customers, was the second greatest contributor across the portfolio. Despite reporting disappointing quarterly results characterized by a tougher demand environment and longer sales cycles, the company's shares rebounded later in the quarter based on improving investor sentiment towards the software sector.

Stock selection in Energy and Industrials also hindered relative results.

Conversely, Consumer Discretionary was the top contributor across the portfolio due to favorable stock selection. Amazon.com, an online retail and cloud computing leader, was the top contributor across the portfolio. Its shares advanced as the company reported solid quarterly results characterized by strong retail performance, better than expected growth within Amazon Web Services (AWS), and continued improvements in operational efficiency.

An average underweight position in Consumer Staples, as well as stock selection in Financials, Communication Services, and Materials, also contributed to relative results.

Lastly, Utilities—a sector the portfolio has no exposure to – as well as an underweight position in Real Estate each had an overall positive 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.

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	1 YEAR	3 YEAR	5 YEAR	Since Inception*
<b>MSIF Global Permanence Portfolio</b>	3.53	4.93	19.44	26.62	11.68	--	11.05
<b>MSCI All Country World Index</b>	5.81	6.18	13.93	16.53	10.99	--	8.40

\* The inception date of the MSIF Global Permanence portfolio is 4/30/2019.

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](http://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 7.63% for Class I shares and the net expense ratio is 1.01%. 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 \$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.

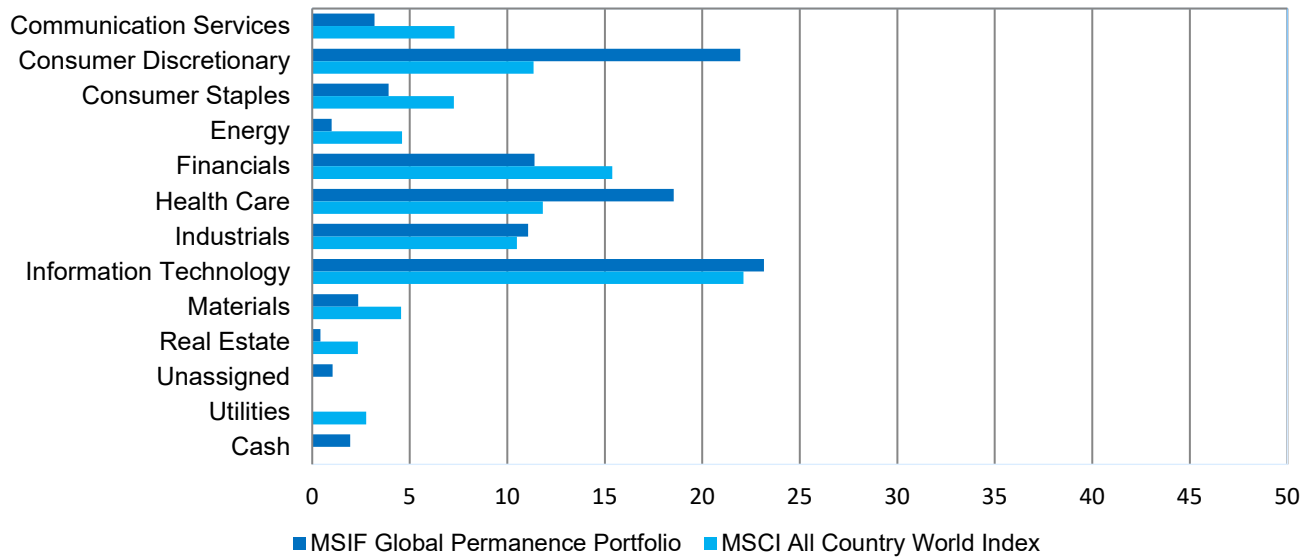
Returns are net of fees and assume the reinvestment of all dividends and income. They are compared to an unmanaged market index. Returns for less than one year are cumulative (unannualized). Performance for one year or more is based on average annual total returns. The returns are reported for Class 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 **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. 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.

Cloudflare	7.6
Amazon.com	7.4
Royalty Pharma	5.8
Topicus.com	5.3
Floor and Décor Holdings	5.1
Intercontinental Exchange	4.9
Eurofins Scientific	4.9
Constellation Software	4.7
Rentokil Initial	4.6
Illumina	4.4
<b>Total</b>	<b>54.7</b>

**Sector Allocation** As of June 30, 2023.



Source: FactSet Research Systems, Inc. / Morgan Stanley Investment Management. Cash is frictional and accounted for 1.94% of the portfolio.

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.

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 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. **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. **Illiquid securities** may be more difficult to sell and value than public traded securities (liquidity risk). **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](http://morganstanley.com/im) or call 1.800.548.7786. Please read the prospectus carefully before investing.**

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