

Morgan Stanley Institutional Fund

Developing Opportunity Portfolio

GLOBAL OPPORTUNITY

Performance Review

In the quarter period ending June 30, 2024, the Portfolio's I shares returned 5.55% (net of fees)¹, while the benchmark returned 5.00%.

The Global Opportunity team creates a high conviction, concentrated portfolio of undervalued, high quality businesses. The long-term investment horizon and high active share approach can result in periods of performance deviation from the benchmark. The Fund outperformed the MSCI Emerging Markets Index this quarter due to favorable stock selection despite unfavorable sector allocation.

Market Review

Emerging markets equities advanced in the quarter, led by the information technology, communication services, utilities and consumer discretionary sectors. The health care, consumer staples and materials sectors declined, underperforming the benchmark. On a country basis, Turkey, Taiwan, South Africa, India, Hungary and China were the leading outperformers, while Mexico, Indonesia, Brazil and the Philippines declined, underperforming the benchmark.

Portfolio Activity

Stock selection in financials, consumer discretionary and industrials, and sector underweight positions in materials and health care were the greatest overall contributors to relative performance. Top individual contributors included Korean ecommerce platform Coupang, Chinese leading consumer services super-app Meituan, Indian private sector banks HDFC Bank and Axis Bank, and Latin American ecommerce platform MercadoLibre.

Conversely, an underweight position in information technology, stock selection in consumer staples and communication services, and sector overweight positions in consumer staples and real estate were the greatest overall detractors from the relative performance of the portfolio during the period. Top individual detractors included an underweight position in Taiwan Semiconductor Manufacturing Co., Korean digital bank KakaoBank, Chinese hot pot restaurant Haidilao, Chinese baijiu brand Kweichow Moutai and Korean search engine Naver.

Top contributor Coupang is Korea's largest ecommerce company operating under a first-party and third-party model, with a focus on building a next-generation customer experience by enabling a large selection of items at low prices delivered on the same or next day, with a frictionless return process. For example, the average Rocket delivery time was under 12 hours and nearly 99% of orders were delivered within one day.² We believe Coupang is unique due to its scalable logistics infrastructure, low customer acquisition cost structure, loyal customer base of nearly 14 million paid subscribers³ to its Rocket WOW membership program, and a growing third-party marketplace that may be further monetized through advertising and fulfillment services. The company's differentiation and efficient scale may enable it to gain share of a fragmented ecommerce market, with the potential to extend its ecosystem beyond its core business and establish strong positions in new verticals such as food delivery and fintech. Coupang currently accounts for a small percentage of Korea's overall commerce market, which is projected to exceed \$600 billion by 2025,⁴ and we have seen from other geographies that an ecommerce market leader can capture as much as one-sixth of the country's total retail sales.⁵

Top detractor KakaoBank is a digital bank with full banking license in Korea, servicing 73% of an economically active population.⁶ We believe KakaoBank is unique due to its strong technological infrastructure, customer interface, differentiated products and Kakao brand name. KakaoBank is fully digital with no branches, which reduces the cost of operating the business and we believe can sustain

¹ Source: Morgan Stanley Investment Management. Data as of June 30, 2024. Performance for other share classes will vary.

² Source: Coupang earnings call transcript, FY 2021 Q3.

³ Source: Coupang earnings release as of December 31, 2023.

⁴ Source: Coupang earnings call transcript, FY 2022 Q3.

⁵ Source: Alibaba earnings call transcript, March Quarter 2020 and FY 2020 Results.

⁶ Source: Company data as of March 31, 2023.

This document constitutes a commentary and does not constitute investment advice nor a recommendation to invest. The value of investments may rise as well as fall. Independent advice should be sought before any decision to invest.

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long-term profitability. The Korean banking system is large with weak incumbents, and smartphone penetration in the country is high, creating what we believe is an ideal backdrop for KakaoBank to grow through market share gains.

We have made minimal changes to the portfolio given our conviction in the long-term investment thesis of existing holdings. We have optimized the portfolio by re-allocating to positions where we believe that market valuations have disconnected from intrinsic value.

Strategy and Outlook

As a team, we continue to focus on bottom-up stock selection and the long-term outlook for companies owned in the portfolio. We assess company prospects over a five- to ten-year time horizon and own a portfolio of what we believe are undervalued, high quality companies with diverse business drivers not tied to any particular market environment.

Fund Facts

Inception Date	February 14, 2020
Minimum Initial Investment (\$)*	A Shares - 1,000
	I Shares - 1,000,000
Benchmark	MSCI Emerging Markets Net Index
Class I expense ratio	Gross 1.69 %
	Net 1.15 %
Class A expense ratio	Gross 1.99 %
	Net 1.50 %

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, in effect as of the date of this commentary. For information on the applicable fund's current fees and expenses, please see the fund's current prospectus.

Performance (%)

As of June 30, 2024	MTD	QTD	YTD	1 YR	3 YR	5 YR	10 YR	SINCE INCEPTION
Class I Shares at NAV	-0.96	5.55	7.75	9.65	-13.68	--	--	-1.60
Class A Shares at NAV	-0.97	5.50	7.60	9.26	-13.95	--	--	-1.89
Class A Shares (With Max 5.25% Sales Charge)	-6.12	0.00	2.00	3.49	-15.48	--	--	-3.08
MSCI Emerging Markets Net Index	3.94	5.00	7.49	12.55	-5.07	--	--	2.10

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. Investment returns and principal value will fluctuate and fund shares, when redeemed, may be worth more or less than their original cost.

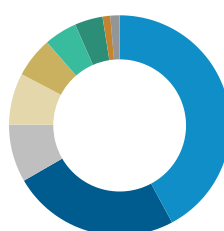
Returns are net of fees and assume the reinvestment of all dividends and income. They are compared to an unmanaged market index. Returns for less than one year are cumulative (not annualized). Performance for one year or more is based on average annual total returns. The returns are reported for Class I and A shares. Performance for other share classes will vary.

* Share class availability may vary by platform. For more information, please visit the specified fund page on the website.

Top Holdings (% of Total Net Assets)

	FUND	INDEX
MercadoLibre Inc	7.33	--
Coupang Inc	6.37	--
ICICI Bank Ltd	6.34	0.99
Meituan	5.68	0.96
HDFC Bank Ltd	5.40	0.75
Trip.com Group Ltd	4.87	0.35
Nu Holdings Ltd	4.82	--
Taiwan Semiconductor Mfg Co. Ltd	4.49	9.72
Axis Bank Ltd	4.14	0.46
Zomato Ltd	3.70	0.21
Total	53.14	--

Sector Allocation (% of Total Net Assets)[^]



	FUND	INDEX
Consumer Discretionary	42.27	12.25
Financials	24.55	21.92
Communication Services	8.51	8.87
Information Technology	7.58	25.12
Consumer Staples	5.92	5.17
Industrials	4.83	6.84
Real Estate	4.12	1.46
Health Care	1.14	3.20
Energy	--	5.23
Materials	--	6.98
Utilities	--	2.96
Cash	1.34	--

[^] May not sum to 100% due to the exclusion of other assets and liabilities.

INDEX INFORMATION

The **MSCI Emerging Markets Net Index** is a free float-adjusted market capitalization weighted index that is designed to measure equity market performance of 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 MSCI Emerging Markets Index currently consists of 24 emerging-market country indices. The performance of the index is listed in U.S. dollars and assumes reinvestment of net dividends. 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.

The Indexes are unmanaged and do not include any expenses, fees or sales charges. 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.

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. The risks of investing in **frontier emerging markets** are greater than risks associated with investments in other foreign or U.S. issuers and they are often considered highly speculative in nature. **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. **Focused Investing.** To the extent that the Portfolio invests in a limited number of issuers, the Portfolio will be more susceptible to negative events affecting those issuers and a decline in the value of a particular instrument may cause the Portfolio's overall value to decline to a greater degree than if the Portfolio were invested more widely. **China Risk.** Investments in China involve risk of a total loss due to government action or inaction. Additionally, the Chinese economy is export-driven and highly reliant on trade. Adverse changes to the economic conditions of its primary trading partners, such as the United States, Japan and South Korea, would adversely impact the Chinese economy and the Fund's investments. Moreover, a slowdown in other significant economies of the world, such as the United States, the European Union and certain Asian countries, may adversely affect economic growth in China. An economic downturn in China would adversely impact the Portfolio's investments. **Risks of Investing through Stock Connect.** Any investments in A-shares listed and traded through Stock Connect, or on such other stock exchanges in China which participate in Stock Connect is subject to a number of restrictions that may affect the

Portfolio's investments and returns. Moreover, Stock Connect A shares generally may not be sold, purchased or otherwise transferred other than through Stock Connect in accordance with applicable rules. The Stock Connect program may be subject to further interpretation and guidance. There can be no assurance as to the program's continued existence or whether future developments regarding the program may restrict or adversely affect the Portfolio's investments or returns. **Liquidity risk** The portfolio may invest in restricted and illiquid securities, which may be difficult for the portfolio to sell at a reasonable price. **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). There is no assurance strategies that incorporate **ESG factors** will result in more favorable investment performance. **India Risk.** To the extent the Portfolio invests a substantial portion of its assets in Indian issuers, the Portfolio may be adversely affected by factors that impact Indian businesses and the Indian economy (among other factors) and such factors may have a disproportionate impact on performance. **Active Management Risk.** The Adviser has considerable leeway in deciding which investments to buy, hold or sell, and which trading strategies to use. Such decisions will affect performance. To the extent the Portfolio invests a substantial portion of its assets in the **financials sector**, factors that have an adverse impact on this sector may have a disproportionate impact on performance. To the extent the Portfolio invests a substantial portion of its assets in the **consumer discretionary sector**, the Portfolio may be particularly susceptible to the risks associated with companies operating in such sector.

IMPORTANT INFORMATION

The views and opinions and/or analysis expressed are those of the investment team as of the date of preparation of this material and are subject to change at any time without notice due to market or economic conditions and may not necessarily come to pass. Furthermore, the views will not be updated or otherwise revised to reflect information that subsequently becomes available or circumstances existing, or changes occurring, after the date of publication. The views expressed do

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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 (which includes the applicable fund's current fees and expenses, if different from those in effect as of the date of this commentary), download one at morganstanley.com/im or call 1-800-548-7786. Please read the prospectus carefully before investing.

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