

Morgan Stanley Institutional Fund

Developing Opportunity Portfolio

GLOBAL OPPORTUNITY

Performance Review

In the quarter period ending March 31, 2024, the Portfolio's I shares returned 2.08% (net of fees)¹, while the benchmark returned 2.37%.

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 underperformed the MSCI Emerging Markets Index this quarter due to unfavorable sector allocation despite favorable stock selection.

Market Review

Emerging markets equities advanced in the quarter, led by the information technology, energy and utilities sectors. The real estate, materials, health care, consumer staples and consumer discretionary sectors declined, underperforming the benchmark. On a country basis, Peru, Turkey, Colombia, Taiwan, Kuwait and Greece were the leading outperformers, while Egypt, Thailand, Czech Republic, Brazil and South Africa declined, underperforming the benchmark.

Portfolio Activity

The portfolio underweight allocation to information technology, overweight allocation to consumer discretionary, and stock selection in communication services, information technology and real estate were the greatest overall detractors from the relative performance of the portfolio during the period. Top individual detractors included shares of Indian private sector bank HDFC Bank, Korean search engine Naver, an underweight position in Taiwan Semiconductor Manufacturing, Chinese property agency KE Holdings, and power management integrated circuit fabless integrated design manufacturer Silergy.

Conversely, stock selection in consumer discretionary and consumer staples, underweight positions in materials and health care, and an overweight allocation to financials were the greatest overall contributors to relative performance. Top individual contributors included Latin American digital bank Nu Holdings, Indian food delivery platform Zomato, Chinese travel agency Trip.com, Chinese leading consumer services super-app Meituan and Chinese hot pot restaurant Haidilao.

Shares of detractor HDFC Bank Ltd. declined after India's largest private sector bank reported lower-than-expected net interest margins for the quarter ending in December. Our long-term investment remains intact, and we continue to view HDFC Bank as one of the highest quality banks, which is poised to benefit from the growth trajectory of consumption and infrastructure in India. HDFC Bank is India's largest private bank by assets as of December 31, 2023. HDFC Bank has an outstanding liability and deposit franchise, driven by its long operating history, strong brand, extensive branch network and focus on customer service. HDFC Bank also has the largest personal loan and credit card franchise in India, with strong risk management processes. We believe that HDFC Bank's cost leadership advantage, coupled with industry-leading digital capabilities, can enable it to continue taking loan and deposit market share amid public sector bank weakness.

Top contributor Nu Holdings operates Nubank, the largest digital bank outside Asia. The bank seeks to address banking inefficiencies in Latin America – it started operations in Brazil and has recently rolled out its services in Mexico and Colombia. We believe Nu is unique in differentiating itself from traditional banks in terms of efficiency and business model and placing strong emphasis on customer services. The technology-led, low-cost structure has enabled Nu to offer various banking services to everybody in their markets, helping increase financial inclusion. It has been growing its customer base rapidly with very low cost of new customer acquisition and strong revenue generation per customer, implying strong unit economics.

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.

¹ Source: Morgan Stanley Investment Management. Data as of March 31, 2024. Performance for other share classes will vary.

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.

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

Strategy and Outlook

While we are finding great ideas all over the world and are agnostic to where our best ideas come from, we believe high quality companies can be found in a higher ratio in developing economies. In particular, Asia is structurally attractive given the region's rising middle class, consumption upgrades and advanced manufacturing.

In India, for example, the ratio of loans as a percentage of gross domestic product (GDP) is converging to the rest of the world. That gives us confidence that there's a meaningful advantage to the financials sector in India, and within that, we see companies gaining market share and operating with strong management teams that can mitigate risk from a loan underwriting perspective.

In China, our preference is for companies that are driven by domestic demand. In that context, it's notable that China's GDP is highly tied to consumption; for illustration, in the period between 2017 and 2022, approximately half of China's real GDP growth was driven by consumption.² While China's GDP growth is expected to slow from 7%-8% to 4%-5% going forward, it is still higher compared to developed countries, and notwithstanding recent weakness, we expect consumption will remain an important driver going forward, to the benefit of domestic demand-driven businesses.

Importantly, regardless of where a company is located, it must have a management team with a global perspective that therefore shows good governance and focus on generating good returns, and also have sustainable competitive advantages, in order to be what we consider a good investment.

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 1.45 %
	Net 1.15 %
Class A expense ratio	Gross 1.69 %
	Net 1.51 %

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.

Performance (%)

As of March 31, 2024	MTD	QTD	YTD	1 YR	3 YR	5 YR	10 YR	SINCE INCEPTION
Class I Shares at NAV	2.79	2.08	2.08	1.61	-14.71	--	--	-2.97
Class A Shares at NAV	2.71	1.99	1.99	1.28	-14.96	--	--	-3.27
Class A Shares (With Max 5.25% Sales Charge)	-2.68	-3.33	-3.33	-4.07	-16.48	--	--	-4.51
MSCI Emerging Markets Net Index	2.48	2.37	2.37	8.15	-5.05	--	--	1.03

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.

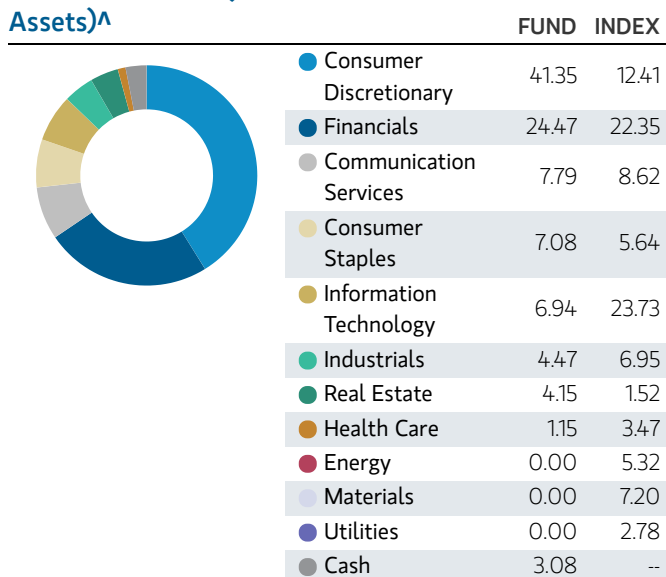
² Source: National Bureau of Statistics of China, CEIC and Morgan Stanley Research estimates. Data as of December 2023.

* 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	7.81	--
ICICI Bank Ltd	6.06	0.95
Coupang Inc	5.64	--
Meituan	5.14	0.87
HDFC Bank Ltd	4.86	0.68
Trip.com Group Ltd	4.74	0.34
NU Holdings Ltd	4.65	--
Kweichow Moutai Co. Ltd	4.18	0.25
Taiwan Semiconductor Mfg Co. Ltd	3.85	8.33
Axis Bank Ltd	3.58	0.40
Total	50.51	--

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



[^] 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

not reflect the opinions of all investment personnel at Morgan Stanley Investment Management (MSIM) and its subsidiaries and affiliates (collectively "the Firm"), and may not be reflected in all the strategies and products that the Firm offers.

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 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.

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.

The whole or any part of this material may not be directly or indirectly reproduced, copied, modified, used to create a derivative work, performed, displayed, published, posted, licensed, framed, distributed or transmitted or any of its contents disclosed to third parties without MSIM's express written consent. This material may not be linked to unless such hyperlink is for personal and non-commercial use. All information contained herein is proprietary and is protected under copyright and other applicable law.

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