

Morgan Stanley Institutional Fund

Emerging Markets Portfolio

EMERGING MARKETS EQUITY TEAM

Performance Review

In the quarter period ending December 31, 2023, the Portfolio's I shares returned 9.23% (net of fees)¹, while the benchmark returned 7.86%.

For the full year, the portfolio returned 12.16% (I shares net of fees), outperforming the index return of 9.83%.

The portfolio benefited during the quarter from our aggregate country allocations decisions, led by the underweight allocation to China, overweight allocations to Brazil and Mexico, and zero allocations to the United Arab Emirates and Turkey. Poland also contributed to performance, led by our overweight allocation to apparel retailer LPP (2.0% of the portfolio).² Other stock allocations that contributed materially to performance were copper miner Antofagasta and overweights to SK Hynix, TSMC and Samsung Electronics (1.6%, 2.0%, 8.6% and 5.7% of the portfolio, respectively).² Detractors for the quarter included stock selection in South Africa and China.

Top contributors to performance during the quarter are outlined below:

The underweight allocation to China contributed as the market underperformed on continued economic softness and weak consumer sentiment. The underweight to China was also the top contributor to the portfolio's relative returns for the full year. In China, we continue to be positioned in quality growth companies with solid medium-term prospects in the current macro environment.

The overweight allocations to Mexico and Brazil contributed, notably led by our stock overweights in Quálitas, Banco BTG Pactual and Itau Unibanco (1.2%, 1.4% and 1.3% of the portfolio).² Both countries remain top active overweights in the portfolio. We remain constructive on Brazil given falling inflation, declining rates and attractive valuations. We believe the companies we own, particularly those that are rate-sensitive, are likely to benefit from the rate-cutting cycle. We continue to like Mexico based on its strong economic fundamentals, balanced growth model and strategic position in the global supply chain.

Poland (+38%) was the best performing market in the index in the quarter.³ The broad market rallied on the back of the election outcome, with the opposition win and the resulting prospects for more rational economic policy, an end of institutional erosion and improved European Union fund flows all leading to a lower country risk premium. Our overweight allocation to apparel retailer LPP was the largest security contributor to returns in the quarter and 2023 as the stock rose more than 70% over the last 12 months. We continue to believe LPP is a quality growth company with a strong management team and attractive prospects for further expansion in the region.

The allocation to copper miner Antofagasta—whose mines are concentrated in Chile—contributed as the stock outperformed on rising copper prices from October lows. Antofagasta is a high quality and cost-advantaged producer with prospects for material volume growth in the coming years. We remain positive on the outlook for copper given the electrification of global primary energy and growth of electric vehicles and renewable energy as part of this transition.

Information technology (IT) (+18%) was the best performing emerging markets sector in the quarter, and our aggregate positioning in the sector, led by overweight allocations to SK Hynix, TSMC and Samsung Electronics, contributed to overall returns, as did our zero allocations to United Arab Emirates and Turkey.

Top detractors from performance during the quarter are outlined below:

Stock selection in South Africa detracted, through the overweight allocations to Anglo American and Bidvest (1.7% and 1.0% of the portfolio, respectively).² Bidvest underperformed in November after the release of a trading update noting muted performance due to pressures on consumer spending, which is closely linked to electricity shortages. We view this as a temporary issue dampening sentiment and our long-term thesis for the stock remains unchanged. We remain constructive on South Africa following a recent visit there, and expect the outlook for the macro environment to improve, especially with further liberalization of the electricity and

¹ Source: Morgan Stanley Investment Management. Data as of December 31, 2023. Performance for other share classes will vary.

² Holdings data as of December 31, 2023.

³ Regional and country returns are represented by their respective MSCI regional/country indexes, which are broad measures of the region/country's stock market performance.

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

transport sectors, which are likely to be beneficial to Bidvest. The company should also continue to benefit from the build-out of its facility management services globally.

Though our overall positioning in China added positively, returns were diluted by specific stock selection within the quarter. The largest detractor was the zero allocation to PDD as the stock rallied nearly 50% in the quarter on strong third quarter earnings results. Overweight allocations to select consumer names, including China Mengniu Dairy, BYD, China Resources Beer and Li Ning (0.8%, 14%, 0.5% and 0.3% of the portfolio, respectively),² also hampered returns as the consumer recovery disappointed in 2023.

Portfolio Activity

Though we maintain our structural underweight allocation to China, we reduced the relative size of the underweight during the quarter as we believe sentiment is weak and the market appears oversold. We added to companies including Yum China (operator of quick service restaurants KFC, Pizza Hut and Taco Bell), Trip.com (an online travel agency), Ping An Insurance and Shenzhen Inovance (manufacturer of automation control products) (0.5%, 0.5%, 0.4% and 0.2% of the portfolio, respectively).² While the overall consumer in China remains weak, there are some verticals showing improvement, including travel; data on domestic travel shows a recovery back to pre-pandemic levels during the recent National Day and Mid-Autumn holidays. International travel is subdued from constrained flight capacity, but surveys indicate that consumers' intention to travel abroad is strong. Trip.com's average revenue per user has grown consistently since March 2023 and the company should continue to benefit from this pent-up travel demand and recovery in outbound international business.

We added to our position in Poland following a recent trip to the country. We initiated positions in leading e-commerce company Allegro and in PZU, the largest insurer in the country (0.4% and 0.5% of the portfolio, respectively).² We also trimmed LPP on the stock's strong outperformance. We believe Allegro will likely benefit from a material improvement to real wages in Poland and from a continued increase in e-commerce penetration. We think PZU has a strong competitive advantage in its core business of life and property and casualty (P&C) insurance. We believe the company's profitability can remain supported by its competitive positioning in investment income, and we believe the stock is attractively valued.

Within India, we added to our existing position in Mahindra & Mahindra and trimmed Bajaj Auto and Max Healthcare (the latter two following the stocks' strong performance) (1.9%, 14% and 0.9% of the portfolio, respectively).² We believe Mahindra & Mahindra is well positioned as both market sentiment and demand for automobiles should improve ahead of the general elections.

While we remain underweight Saudi Arabia, we initiated a position in Bupa Arabia (0.5% of the portfolio),² one of the leading health insurance companies in the country. We believe the integration of primary health care and continued growth in the insured population (given Vision 2030 led employment growth), medical inflation that should support pricing, and longer-term regulatory improvements can benefit Bupa Arabia. We funded this trade by exiting our position in Galp Energia and trimming our position in South African packaging and paper company, Mondi (0.5% of the portfolio),² given its strong performance.

In Taiwan, we added to our existing overweight in United Microelectronics Corporation (UMC, 1.1% of the portfolio).² We funded the trade by trimming our position in MediaTek (0.7% of the portfolio)² after recent share price strength. We expect the global tech cycle to recover in the first half of 2024, and UMC is likely to benefit from the improving cyclical demand growth and restocking demand, which should drive upside in earnings.

We exited our position in Samsung SDI as the outlook for Korean electric vehicle (EV) battery makers has weakened on increasing competition and a broader slowdown in EV. Within Brazil, we exited our position in Lojas Renner as our thesis was not tracking, and used the proceeds to add to other high-conviction holdings in Brazil, including Localiza and WEG (1.6% and 0.7% of the portfolio, respectively).²

Outlook

2023 was a strong year for global equity markets including emerging markets (EM), which returned almost 8% in the fourth quarter and 10% for the full year (as measured by the MSCI Emerging Markets Index). With the return of country dispersion in EM, select countries displayed solid performance even against a challenging backdrop for much of the year, which included Federal Reserve rate hikes, a strong dollar and relatively weak returns from China. Notably, outperformance in the EM asset class was led by Latin American and Central and Eastern European markets, with Mexico, Brazil, Poland, Hungary and Greece each returning more than 30%.³

We continue to believe that our integrated top-down and bottom-up analysis is important to identify the most attractive macro and stock investments across EM. As dispersion in EM returns has been high, both levers continue to be important drivers of the portfolio. In what we expect to be a mixed growth environment and realigning global economy, we believe our portfolio is well positioned and diversified with active positioning across countries, themes and stocks.

² Holdings data as of December 31, 2023.

³ Regional and country returns are represented by their respective MSCI regional/country indexes, which are broad measures of the region/country's stock market performance.

We remain overweight **India** given secular, endogenous-driven growth supported by a low base, supply-side investments and digitization. Key drivers for our view on the equity market include India's ability to withstand external shocks, a continued growth outlook (led largely by increased investment), a large domestic market to drive consumption and a strong institutional framework. We remain constructive on the secular growth story for India and confident that forward earnings justify the current multiples of our holdings. Our exposure in India includes well-managed financials, industrials and consumer names, along with select IT, health care, energy and materials companies.

We are overweight **Brazil**, which remains a rate-sensitive market. Brazil's central bank was among the most aggressive in EM in raising rates to fight inflation in 2021 and 2022. The central bank continued with its rate-cutting policy, lowering the Selic target rate by additional 50 basis points⁴ to 11.75% at its December meeting and indicated more rate cuts of a similar pace in 2024. Even with a slowing economy, interest-rate sensitive stocks should respond to monetary policy, and we expect them to continue rebounding into the second half of 2024. The country is well into disinflation and a cutting cycle that we have been expecting and believe will likely continue through this year. Additionally, cumulative reforms undertaken since 2016 have further boosted the potential growth of the economy. The Brazilian real looks attractive on our currency framework, with external balances in good shape and valuations at low levels relative to its own history. In Brazil, our portfolio is focused on companies with quality management and solid earnings growth, including significant exposure to stocks that we believe can benefit from declining rates.

We remain overweight **Mexico**. We think Mexico offers a combination of growth and strong macroeconomic fundamentals, which supports medium-term economic growth. The country should continue to benefit from rising investment led by foreign direct investment and its attractive strategic positioning in the global supply chain, particularly given the competitiveness of its economy and its nexus with the U.S. The outlook for the consumer remains promising, with rising employment, real wage growth and strong U.S. remittances. We believe the domestic companies we own should continue to benefit from current yield, attractive valuations and earnings growth.

We remain underweight **China**. While we have seen government stimulus measures materialize, weak investor sentiment persists as economic recovery remains sluggish and the risk of political interference in the economy remains elevated, as most recently seen in the online gaming regulations imposed at the end of 2023. Consumer confidence and sentiment remain low, but there are signs of potential stabilization/bottoming of consumers' future expectations. Within the consumer segment, select sub-verticals, including alcoholic beverages, beauty and jewelry, have outperformed; although overall households are continuing to pivot their income from investing to savings, further impacting consumption. While overall economic growth is likely to remain muted in the medium term, there are currently some signs of green shoots, and the "green" and digital parts of the economy are likely to become the economy's growth drivers. In China, we are invested in companies with competitive advantages, strong corporate governance and solid medium-term growth prospects, despite an overall muted economic outlook.

Fund Facts

Inception Date	September 25, 1992
Minimum Initial Investment (\$)*	A Shares - 1,000
	I Shares - 1,000,000
Benchmark	MSCI Emerging Markets Net Index
Class I expense ratio	Gross 1.07 %
	Net 0.99 %
Class A expense ratio	Gross 1.39 %
	Net 1.35 %

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.

⁴ One basis point = 0.01%

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

Performance (%)

As of December 31, 2023	MTD	QTD	YTD	1 YR	3 YR	5 YR	10 YR
Class I Shares at NAV	5.02	9.23	12.16	12.16	-4.52	3.56	1.97
Class A Shares at NAV	4.97	9.08	11.73	11.73	-4.85	3.22	1.64
Class A Shares (With Max 5.25% Sales Charge)	-0.52	3.38	5.87	5.87	-6.55	2.11	1.09
MSCI Emerging Markets Net Index	3.91	7.86	9.83	9.83	-5.08	3.68	2.66

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.

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. 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 strategy. Please be aware that this strategy 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 the risks generally associated with investments in foreign developed countries. **Derivative instruments** can be illiquid, may disproportionately increase losses and may have a potentially large negative impact on the portfolio's performance. **Illiquid securities** may be more difficult to sell and value than publicly traded securities (liquidity risk). **China Risk.** Investments in

securities of Chinese issuers, including A-shares, involve risks associated with investments in foreign markets as well as special considerations not typically associated with investments in the U.S. securities markets. 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.

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.