

## Morgan Stanley Institutional Fund

## Europe Opportunity Fund

## GLOBAL OPPORTUNITY

## Performance Review

In the quarter period ending March 31, 2025, the Portfolio's I shares returned 2.45% (net of fees)<sup>1</sup>, while the benchmark returned 10.48%.

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 Europe Index this quarter due to unfavorable stock selection and sector allocation.

## Market Review

European equities advanced during the quarter, led higher by the financials, energy and communication services sectors. Information technology and consumer discretionary were the only sectors to decline during the period, while real estate also underperformed the benchmark.

## Portfolio Review

Stock selection in industrials and financials as well as an overweight allocation to consumer discretionary were the greatest overall detractors from the relative performance of the portfolio during the quarter. Top individual detractors included Danish freight forwarder DSV A/S, Swiss premium sports brand On Holding AG, Danish health care company Novo Nordisk A/S, French energy management solution Schneider Electric SE and U.K. food delivery marketplace Deliveroo Plc.

Conversely, stock selection in consumer discretionary, an overweight position in communication services and an underweight allocation to information technology contributed positively to relative performance during the quarter. Top individual contributors included Swedish audio streaming platform Spotify Technology SA, luxury brands Moncler SpA and Hermès International SCA, French eyewear maker EssilorLuxottica SA, and Swiss chocolatier Chocoladefabriken Lindt & Sprüngli AG.

Shares of top detractor DSV A/S declined on fears of global trade volumes slowing as a result of geopolitical uncertainty, including from the implementation of tariffs, as well as risk of weaker pricing as additional capacity enters the market. DSV is a leading global asset light freight forwarder with a unique blend of people, processes and information technology services. DSV enjoys leading positions in air and sea logistics globally as a result of strategic acquisitions that have diversified the firm out of the core road forwarding business and enabled it to grow in scale, network and sophistication in digital capabilities, on top of industry consolidation trends. We believe the company's information technology platform, people and processes allow it to operate efficiently in the value-added activities in forwarding that have been more immune from digital disruptions and volatile market pricing. The company also maintains a shareholder-friendly capital allocation policy that combines share buybacks with stable dividends in the absence of value-accretive merger and acquisition (M&A) activity.

Detractor On Holding is a Swiss premium performance sports brand rooted in technology, design and impact that has built a passionate global community of fans across more than 60 countries. It is differentiated in performance running through a proprietary cushioning technology that makes runners feel like they're "running on clouds" while it also has expanded to outdoor, lifestyle and apparel with products that merge performance and style. We believe On is distinctively unique from mass sportswear brands through its in-house innovation that fuels its portfolio of high performance, technically-advantaged products, its commitment to sustainability throughout the value chain, and well-balanced multi-channel distribution strategy led by direct-to-customer (DTC).

Shares of top contributor Spotify rallied after reporting fourth quarter earnings which included the company's first full year of positive operating income and guidance that exceeded expectations. The company saw strong premium subscriber growth during the quarter, and market participants reacted favorably to the company's margin outlook. Headquartered in Sweden, Spotify is an innovative audio streaming platform that exhibits differentiation leadership by leveraging the unique data of 675 million monthly

<sup>1</sup> Source: Morgan Stanley Investment Management. Data as of March 31, 2025. 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.

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active users, including 263 million paying premium subscribers,<sup>2</sup> and is in a strong position to expand its user base given its extensive playlists. We believe Spotify's strong growth can be supported by entering new geographies, investing in its advertising business and expanding its non-music content as well as user experience.

Shares of Moncler outperformed as the company delivered strong fourth quarter results that exceeded market expectations driven by continued DTC growth and strong performance of the Asia-Pacific region. Moncler continues to exhibit strong brand momentum as the company optimizes its channel mix towards DTC and continues brand investments. We believe that Moncler is unique due to its strong brand heritage, excellent quality and elegance, integrated business model and a strong management team. Based on our analysis, Moncler exhibits strong pricing power due to its differentiated and highly functional product offering, yet its pricing is still competitive relative to other core luxury players with similar products, leaving room for future pricing growth. Moreover, the company has innovative marketing and excellent storytelling, which it continues to leverage to expand into other product categories. Our analysis suggests Moncler's upmarket focus on sleek, distinctive high-end outerwear, category expansion, and direct control of higher value-added activities can continue to give the company strong pricing power, high margins and return on invested capital.

## 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	July 28, 1997
Minimum Initial Investment (\$)*	A Shares - 1,000 I Shares - 1,000,000
Benchmark	MSCI Europe Index
Class I expense ratio	Gross 1.36 % Net 1.05 %
Class A expense ratio	Gross 1.62 % Net 1.38 %

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 March 31, 2025	MTD	QTD	YTD	1 YR	3 YR	5 YR	10 YR
Class I Shares at NAV	-6.33	2.45	2.45	4.61	2.72	11.04	5.61
Class A Shares at NAV	-6.36	2.40	2.40	4.30	2.40	10.68	5.25
Class A Shares (With Max 5.25% Sales Charge)	-11.26	-2.98	-2.98	-1.16	0.57	9.50	4.69
MSCI Europe Index	-0.30	10.48	10.48	6.87	7.33	13.15	5.67

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](https://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.

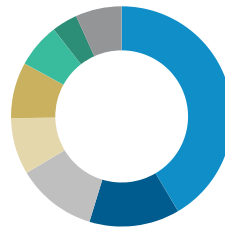
<sup>2</sup> Source: Spotify company data as of December 31, 2024.

\* 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
Evolution AB	8.33	0.10
Moncler S.p.A.	7.77	0.13
Spotify Technology S.A.	7.74	0.75
Deliveroo plc	7.65	--
London Stock Exchange Group plc	5.11	0.62
Hermès International S.A.	4.91	0.73
L'Oréal S.A.	4.91	0.79
Schneider Electric SE	4.62	1.10
ASML Holding NV	3.86	2.27
DSV A/S	3.83	0.35
<b>Total</b>	<b>58.73</b>	<b>--</b>

### Sector Allocation (% of Total Net Assets)<sup>^</sup>



	FUND	INDEX
Consumer Discretionary	42.40	8.70
Communication Services	13.52	4.15
Financials	12.01	22.30
Industrials	8.46	17.71
Health Care	8.42	14.63
Consumer Staples	6.66	10.12
Information Technology	3.86	6.99
Energy	--	4.91
Materials	--	5.59
Real Estate	--	0.75
Utilities	--	4.14
Cash	6.88	--

<sup>^</sup> May not sum to 100% due to the exclusion of other assets and liabilities.

### INDEX INFORMATION

The **MSCI Europe Index** is a free float-adjusted market capitalization index that is designed to measure developed market equity performance in Europe. 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 performance of the Index is listed in U.S. dollars and assumes reinvestment of net dividends.

The index is unmanaged and does 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 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 fund will decline and that the value of fund 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 fund. Please be aware that this fund 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. **European Investments Risk.** Adverse political, social or economic developments in Europe, or in a particular European country,

could cause a substantial decline in the value of the Portfolio. In addition, because investments are concentrated in Europe, performance may be more volatile than a more geographically diversified set of investments. If one or more countries leave the European Union ("EU") or the EU dissolves, the world's securities markets likely will be significantly disrupted. The financial instability of some countries in the EU together with the risk of such instability impacting other more stable countries may increase the economic risk of investing in companies in Europe. **Focused Investing** To the extent that the Fund invests in a limited number of issuers, the Fund will be more susceptible to negative events affecting those issuers and a decline in the value of a particular instrument may cause the Fund's overall value to decline to a greater degree than if the Fund were invested more widely. **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**). There is no assurance strategies that incorporate **ESG factors** will result in more favorable investment 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.

### 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

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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](https://morganstanley.com/im) or call 1-800-548-7786. Please read the prospectus carefully before investing.**

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