

## Morgan Stanley Institutional Fund

## Europe Opportunity Fund

## GLOBAL OPPORTUNITY

**Performance Review**

In the quarter period ending March 31, 2024, the Portfolio's I shares returned 10.10% (net of fees)<sup>1</sup>, while the benchmark returned 5.23%.

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 Europe Index this period due to favorable stock selection and sector allocation.

**Market Review**

European equities advanced in the first quarter of 2024, led higher by information technology, consumer discretionary and financials. The utilities, consumer staples and real estate sectors declined, underperforming the benchmark.

**Portfolio Review**

Stock selection in communication services, as well as stock selection and an overweight position in consumer discretionary were the greatest overall contributors to the relative performance of the portfolio during the period. Top individual contributors included Swedish audio streaming platform Spotify Technology SA, luxury brands Moncler SpA and Hermès, Dutch payments solution provider Adyen NV and Swiss premium sports brand On Holding AG.

Conversely, stock selection in industrials, an overweight position in communication services and an underweight allocation to financials were the greatest overall detractors from relative performance during the period. Top individual detractors included transportation and logistics firms Kuhne + Nagel International AG and DSV A/S, U.K. food delivery marketplace Deliveroo Plc, Italian purveyor of cocktail spirits Davide Campari-Milano NV and U.K. online real estate portal Rightmove Plc.

Headquartered in Sweden, top contributor Spotify is an innovative audio streaming platform that exhibits differentiation leadership by leveraging the unique data of 602 million monthly active users, including 226 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.

Detractor DSV A/S 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.

**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.

We recently published our annual ESG update which discusses our approach at a global level incorporating our HELP & ACT framework within the investment process, the carbon intensity of the portfolios, company engagement examples, participation in collaborative initiatives and Morgan Stanley Investment Management policies. Please see our ESG update here:

[https://www.morganstanley.com/im/publication/insights/articles/article\\_esgupdate.pdf](https://www.morganstanley.com/im/publication/insights/articles/article_esgupdate.pdf)

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

<sup>2</sup> Source: Company data as of January 29, 2024.

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**

## 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	<b>Gross 1.33 %</b>
	<b>Net 1.05 %</b>
Class A expense ratio	<b>Gross 1.59 %</b>
	<b>Net 1.38 %</b>

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
Class I Shares at NAV	1.08	10.10	10.10	12.66	-4.12	9.39	4.58
Class A Shares at NAV	1.02	10.01	10.01	12.25	-4.43	9.03	4.22
Class A Shares (With Max 5.25% Sales Charge)	-4.28	4.22	4.22	6.36	-6.13	7.86	3.66
MSCI Europe Index	3.74	5.23	5.23	14.11	6.19	7.96	4.44

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.

## Top Holdings (% of Total Net Assets)

	FUND	INDEX
Hermès International S.A.	9.42	0.73
Moncler SPA	9.18	0.14
DSV A/S	7.23	0.26
Spotify Technology S.A.	6.86	--
Adyen NV	5.33	0.33
On Holding AG	4.97	--
Evolution AB	4.91	0.21
Novo Nordisk A/S	4.78	3.78
Straumann Holding AG	4.71	0.16
London Stock Exchange Group plc	4.70	0.45
<b>Total</b>	<b>62.09</b>	<b>--</b>

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

	FUND	INDEX
Consumer Discretionary	40.58	11.15
Consumer Staples	10.94	10.68
Financials	10.03	18.38
Health Care	9.97	15.37
Communication Services	9.40	2.99
Industrials	7.23	16.38
Information Technology	4.59	8.05
Energy	0.00	5.38
Materials	0.00	6.97
Real Estate	0.00	0.85
Utilities	0.00	3.80
Cash	7.15	--

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

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

## 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 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 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 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.

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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, 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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