Morgan Stanley

INVESTMENT MANAGEMENT

Morgan Stanley Institutional Fund

Global Opportunity Portfolio

GLOBAL OPPORTUNITY TEAM | COMMENTARY | MARCH 31, 2023

Performance Review

In the quarter period ending March 31, 2023, the Portfolio's I shares returned 20.55% (net of fees)[1], while the benchmark returned 7.31%.

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 All Country ("AC") World Index this period due to favorable stock selection and sector allocation.

Market Review

Global equities advanced despite banking sector uncertainty and monetary policy tightening. Information technology, communication services and consumer discretionary led benchmark gains, while the energy, health care, utilities and financials sectors declined, underperforming the benchmark.

The Fund has no direct exposure to banks domiciled in advanced economies of the U.S. and Europe. As part of our investment process, we seek companies that demonstrate financial strength with high returns on invested capital, high margins, strong cash conversion, low capital intensity and low leverage. As of March 31, 2023, the Fund held private sector banks in India, digital banks in Korea and Brazil, and payment platforms recently reclassified[2] as financials. Historically, the Fund has also invested in capital markets exchanges and asset managers, but Global Opportunity has never owned a U.S.- or European-domiciled bank.

Portfolio Review

Stock selection in communication services, industrials and consumer discretionary were the great overall contributors to the relative performance of the portfolio during the period. Top individual contributors included Latin American ecommerce platform MercadoLibre, social network Meta Platforms, global mobility and food delivery platform Uber Technologies, Danish transportation and logistics company DSV A/S and Swedish audio streaming platform Spotify Technology SA.

Conversely, sector overweight allocations to financials and industrials were the greatest overall detractors from relative performance. Top individual detractors included Chinese consumer super-app Meituan, Indian private sector banks HDFC Bank Ltd. and ICICI Bank Ltd., Southeast Asian super-app Grab Holdings and Argentinian IT services firm Globant SA.

Top contributor MercadoLibre is the largest ecommerce platform in Latin America, with a presence in 18 countries including Brazil, Argentina and Mexico, 96.6 million active users of its online marketplaces and 43.7 million fintech active users of its MercadoPago digital payments platform.[3] We believe MercadoLibre can increasingly benefit by monetizing the uniqueness of its platform in Latin America, which has a population of more than 650 million[4] and one of the fastest-growing internet penetration rates in the world.

1 Source: Morgan Stanley Investment Management. Data as of March 31, 2023. Performance for other share classes will vary.
2 Revisions to the Global Industry Classification Standard (GICS®) structure effective March 2023 available at:
https://www.msci.com/documents/1296102/29559863/GICS_Structure_Change_Doc_31_March_2022.pdf/
3 Source: Company data as of December 31, 2022.
4 Source: United Nations Population Division. Data as of December 31, 2021.

Shares of Meta Platforms advanced after reporting better-than-expected advertising revenues, more disciplined capital spending plans and a significant share buyback. We continue to believe that Meta is unique due to its strong network effect with 3.74 billion monthly active people across its family of social apps including Facebook, Instagram and WhatsApp.[5] We believe Meta can monetize its uniqueness through advertising growth at attractive margins driven by the shift from offline to online advertising, increased adoption of video advertising and pursuing adjacent opportunities such as ecommerce including Facebook and Instagram Shops. In addition, the company recently announced its long-term focus on building the next computing platform to bring the metaverse to life. Given its current leadership in virtual reality headset shipments,[6] coupled with the largest global userbase across its social platforms, we believe Meta is well positioned to benefit from the long-term shift towards an immersive 3D social experience.

Top detractor Meituan is the leading consumer services super-app in China with 687 million annual transacting users.[7] The company has leadership positions in food delivery, in-store and domestic hotel bookings, with synergies across its products and services. For example, over 75% of its new hotel-booking transacting users and about 85% of its new transacting users of other in-store local services were converted from transacting users of its core food delivery and in-store dining services.[8] We believe Meituan can monetize its uniqueness by continuing to improve its food delivery business's scale and profitability, further developing its merchant base with its highly targeted advertising product, optimizing its hotel business and leveraging synergies within its "super-app" offering to grow new initiatives profitably at scale. We believe that Meituan may continue to benefit from urbanization and consumption growth in China with all of its businesses still in the early stage of penetrating the total addressable market.

Grab Holdings Limited runs the largest mobility, food delivery and digital wallet platform in Southeast Asia, with a presence in 480 cities across 8 countries in the region, where there is a young demographic with significant smartphone penetration.[9] We believe Grab's strong ecosystem can help its market share expansion in multiple fast-growing businesses with improving margins. Our analysis shows that the strong growth in Grab may continue, supported by its ability to work with regulators to achieve its objective of economic betterment for underbanked segments of society. This is evidenced by the full digital banking license Grab was granted.

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	Minimum Initial Investment ($)*	Index
May 30, 2008	A Shares - 1,000 I Shares - 1,000,000	MSCI All Country World Net Index

5 Source: Company data as of December 31, 2022.
6 Source: IDC (International Data Corporation). Data as of December 31, 2022.
7 Source: Company data as of September 30, 2022.
8 Source: Company data as of 2020.
9 Source: Company data as of September 30, 2022.
* Share class availability may vary by platform. For more information, please visit the specified fund page on the website.

Performance (%)

As of March 31, 2023

	MTD	QTD	YTD	1 YR	3 YR	5 YR	10 YR
Class I Shares at NAV	6.56	20.55	20.55	-11.59	7.54	5.85	14.46
Class A Shares at NAV	6.54	20.53	20.53	-11.85	7.24	5.55	14.10
Class A Shares (With Max 5.25% Sales Charge)	0.96	14.22	14.22	-16.47	5.34	4.42	13.49
MSCI All Country World Net Index	3.08	7.31	7.31	-7.44	15.36	6.93	8.06

Class A shares have a maximum front-end sales charge of 5.25%. 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.

The gross expense ratio is 0.92% for Class I shares and the net expense ratio is 0.92%. The gross expense ratio is 1.20% for Class A shares and net expense ratio is 1.20%. 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.

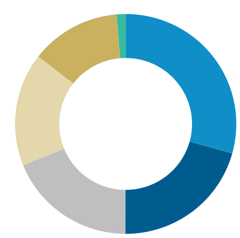
Returns are net of fees and assume the reinvestment of all dividends and income. They are compared to an unmanaged market index. Returns for less than one year are cumulative (not annualized). Performance for one year or more is based on average annual total returns. The returns are reported for Class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

Please keep in mind that high double-digit returns are highly unusual and cannot be sustained. Investors should also be aware that these returns were primarily achieved during favorable market conditions.

Top Holdings (% of Total Net Assets)

	FUND	INDEX
Uber Technologies Inc	8.25	0.08
DSV A/S	6.96	0.06
ServiceNow Inc	6.76	0.16
HDFC Bank Ltd	6.46	--
MercadoLibre Inc	6.22	0.10
Meta Platforms Inc	4.72	0.79
Moncler SPA	4.68	0.02
Shopify Inc	3.90	0.09
Coupang Inc	3.86	--
The Walt Disney Company	3.65	0.30
Total	**55.46**	--

Sector Allocation (% of Total Net Assets)^



	FUND	INDEX
Consumer Discretionary	29.42	10.92
Information Technology	20.84	20.43
Financials	18.89	15.64
Industrials	16.67	10.44
Communication Services	13.22	7.34
Cash	1.33	--

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

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. To the extent that the Fund invests in a limited number of issuers **(focused investing)**, 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. **Illiquid securities** may be more difficult to sell and value than publicly traded securities (liquidity risk). **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). **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.

INDEX INFORMATION

The **MSCI All Country World Index (MSCI ACWI)** is a free float-adjusted market-capitalization-weighted index designed to measure the equity market performance of developed and 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 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.

IMPORTANT INFORMATION

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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 or call 1-800-548-7786. Please read the prospectus carefully before investing.

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