

Morgan Stanley Institutional Fund

International Opportunity Portfolio

GLOBAL OPPORTUNITY

Performance Review

In the quarter period ending March 31, 2025, the Portfolio's I shares returned 2.24% (net of fees)¹, 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 underperformed the MSCI All Country ("AC") World ex USA Index this quarter due to unfavorable stock selection and sector allocation.

Market Review

International equities advanced during the quarter, led higher by communication services, financials and utilities. Information technology was the only sector to decline, while real estate and health care also underperformed the benchmark.

Portfolio Review

Stock selection in industrials, financials and information technology were the greatest overall detractors from the relative performance of the portfolio. Top detractors included foundry service provider Taiwan Semiconductor Manufacturing Co., Danish freight forwarder DSV A/S, Indian quick commerce platform Eternal, French energy management solution Schneider Electric SE and Swiss premium sports brand On Holding AG.

Conversely, an overweight position and stock selection in communication services and an underweight allocation to health care contributed positively during the quarter. Top contributors included Swedish audio streaming platform Spotify Technology SA, Japanese merchandise and entertainment company Sanrio Co., Latin American ecommerce platform MercadoLibre and luxury brands Moncler SpA and Hermès International SCA.

Shares of Taiwan Semiconductor Manufacturing Company (TSMC) detracted given the negative impact of U.S. tariffs on end demand, concerns over graphics processing unit (GPU) demand sustainability, and speculation over Intel JV. In our view, low-cost large language models should drive broader artificial intelligence (AI) adoption and boost long-term growth, and TSMC will likely continue to benefit from both training and inferencing as well as AI server and edge AI given its leading edge foundry leadership for both GPUs and application-specific integrated circuits (ASICs). In addition, TSMC's commitment to further invest in leading edge capacity in the United States diversifies its geographical presence. TSMC is the world's largest semiconductor foundry service provider with over 67% foundry market share.² TSMC's cost leadership advantage is driven by its leading edge technological leadership, manufacturing excellence, scale advantage and long-term customer interest alignment and engagement as the only independent, dedicated, leading-edge foundry. We believe TSMC can monetize its uniqueness through powering its customers' products in high performance computing, 5G and autonomous driving, enhancing advanced packaging offerings and supporting hyperscalers and startups' application specific chip designs.

Shares of 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.

¹ Source: Morgan Stanley Investment Management. Data as of March 31, 2025. Performance for other share classes will vary.

² Source: TrendForce 4Q24.

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

Shares of 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 active users, including 263 million paying premium subscribers,³ 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.

Contributor Sanrio is a global lifestyle and entertainment brand that owns and manages 450 characters including the iconic Hello Kitty, Gudetama, Aggretsuko and Kuromi. We believe Sanrio is unique due to its highly differentiated and one-of-a-kind intellectual property (IP) franchises, which has forged a strong moat. Sanrio is a solid turnaround story, in our view. Following the management change three years ago, multiple organizational reforms have been executed, which breathed new life into the business. Under the leadership of the new CEO, the once offline and merchandise-centric business has become more digital and gained new traction. Leveraging its powerful IP influence, we believe Sanrio is poised to continue to grow in underpenetrated overseas markets as well as in new fields such as media and education. We believe that its strong focus on the licensing model will likely provide great scalability in margins and returns.

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 | March 31, 2010 |
| Minimum Initial Investment (\$)* | A Shares - 1,000 I Shares - 1,000,000 |
| Benchmark | MSCI All Country World ex USA Index |
| Class I expense ratio | Gross 0.94 % Net 0.94 % |
| Class A expense ratio | Gross 1.26 % Net 1.26 % |

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 | -3.57 | 2.24 | 2.24 | 13.08 | 4.09 | 7.57 | 8.71 |
| Class A Shares at NAV | -3.63 | 2.18 | 2.18 | 12.74 | 3.76 | 7.24 | 8.36 |
| Class A Shares (With Max 5.25% Sales Charge) | -8.69 | -3.20 | -3.20 | 6.83 | 1.91 | 6.09 | 7.78 |
| MSCI All Country World ex USA Index | -0.23 | 5.23 | 5.23 | 6.09 | 4.48 | 10.92 | 4.98 |

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.

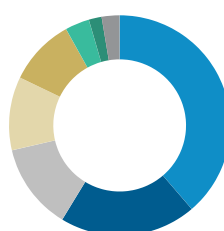
Returns are net of fees and assume the reinvestment of all dividends and income. They are compared to an unmanaged market index. Returns for less than one year are cumulative (not annualized). Performance for one year or more is based on average annual total returns. The returns are reported for Class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

³ 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 |
|---------------------------|--------------|-----------|
| MercadoLibre Inc | 6.21 | -- |
| Spotify Technology S.A. | 5.69 | 0.31 |
| DSV A/S | 5.66 | 0.15 |
| Sanrio Co. Ltd | 4.59 | -- |
| Hermès International S.A. | 4.58 | 0.31 |
| ICICI Bank Ltd | 4.27 | 0.31 |
| Schneider Electric SE | 4.15 | 0.46 |
| Coupage Inc | 4.11 | -- |
| Meituan | 3.99 | 0.37 |
| Moncler S.p.A. | 3.75 | 0.05 |
| Total | 47.00 | -- |

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

| | FUND | INDEX |
|------------------------|-------|-------|
| Consumer Discretionary | 38.74 | 11.05 |
| Financials | 19.99 | 24.84 |
| Industrials | 12.69 | 13.94 |
| Information Technology | 10.78 | 12.22 |
| Communication Services | 9.80 | 6.24 |
| Consumer Staples | 3.55 | 6.95 |
| Utilities | 1.90 | 3.12 |
| Energy | -- | 5.02 |
| Health Care | -- | 8.65 |
| Materials | -- | 6.29 |
| Real Estate | -- | 1.68 |
| Cash | 2.60 | -- |

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

INDEX INFORMATION

The **MSCI All Country World ex USA Index** is a free float-adjusted market capitalization weighted index designed to measure the equity market performance of developed and emerging markets, excluding the U.S. 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 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. **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 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. 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. 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.

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

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