Morgan Stanley Institutional Fund
Asia Opportunity Portfolio

Performance Review

In the quarter period ending March 31, 2021, the Portfolio’s I shares returned 1.23% (net of fees)\(^1\), while the benchmark returned 2.70%.

The long-term investment horizon and conviction-weighted approach embraced by the Global Opportunity team can result in periods of performance deviation from the benchmark and peers. Over time, this has led to the strong record we have developed over our product set. The Fund underperformed the MSCI All Country ("AC") Asia ex Japan Index this period due to unfavorable sector allocation.

Our team continues to focus on bottom-up stock selection and the long-term outlook for companies owned in the portfolio; accordingly, we have had limited turnover in the portfolio to date, and we continue to find new ideas for inclusion in the portfolio that meet our strict criteria for quality and long-term value creation.

Asia ex Japan equities advanced, led by the industrials, real estate, materials and communication services sectors. The health care, consumer discretionary and consumer staples sectors declined, underperforming the MSCI AC Asia ex Japan Index.

Stock selection and a sector overweight position in consumer staples were the top overall detractors from the relative performance of the portfolio, driven by weakness in shares of Chinese soy sauce brand Foshan Haitian Flavouring & Food Co., Ltd., China Resources Beer and Tsingtao Brewery. Foshan Haitian is the leading soy sauce brand in China. We believe that Foshan Haitian can deliver stable revenue growth driven by strong consumer loyalty and taste preference.

A sector overweight position in consumer discretionary detracted, despite a positive contribution from stock selection. Chinese tutorial provider TAL Education was the greatest individual detractor and shares in Chinese hot pot restaurant Haidilao declined. TAL Education is China’s leading provider of math and science tutoring, with over five million student enrollments across 990 learning centers in 102 cities in China (Source: Company data as of November 30, 2020). We believe TAL Education is unique because of its strong Xueersi brand, excellent teaching quality and leadership in mathematics, as well as its proven track record of scalability and capital-efficient business model. We believe Haidilao can monetize its uniqueness by leveraging its strong brand image to rapidly expand its store base in the highly fragmented restaurant industry in China and overseas. Weakness in TAL and Haidilao was offset by the strength in shares of Chinese social commerce platform Meituan and online travel agency Trip.com.

Stock selection in financials also detracted, while a sector overweight position contributed positively to relative performance. Weakness in shares of Kotak Mahindra was offset by the strength in ICICI Bank. Kotak Mahindra has strong presence in the securities, insurance, asset management and auto finance businesses. We believe that Kotak Mahindra Bank is unique due to its cost-focus advantage, driven by its strong deposit franchise, granular high yield retail book and prudent risk management process. Based on our industry analysis, we believe Kotak Mahindra Bank can continue to take loan and deposit market share due to its integrated and diversified business model, mobile banking initiatives and public sector bank weakness.

Stock selection in communication services was the overall greatest contributor during the period, led by shares of a Chinese short video platform company and Korean search engine NAVER Corp. NAVER is also the leading mobile social network through LINE in Japan. We believe the company can benefit from the network effect with continuous growth in the advertisement

\(^1\) Source: Morgan Stanley Investment Management. Data as of March 31, 2021.

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.
segment and the next leg driven by e-commerce and payments in Korea leveraging user traffic to transition its business model from meta search to an e-commerce marketplace.

The portfolio’s underweight position in information technology detracted, while an underweight position in health care and stock selection in information technology contributed positively.

**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 three- to five-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.

<table>
<thead>
<tr>
<th>FUND FACTS</th>
<th>Base currency</th>
<th>Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>Launch date</td>
<td>December 29, 2015</td>
<td>U.S. dollars</td>
</tr>
<tr>
<td></td>
<td>MSCI All Country Asia ex-Japan Net Index</td>
<td></td>
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**Performance (%)**

*As of March 31, 2021 (Class I Share at NAV)*

<table>
<thead>
<tr>
<th></th>
<th>QTD</th>
<th>YTD</th>
<th>1 YR</th>
<th>3 YR</th>
<th>5 YR</th>
<th>10 YR</th>
<th>SINCE INCEPTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>MSIF Asia Opportunity Portfolio - I Shares</td>
<td>1.23</td>
<td>1.23</td>
<td>69.49</td>
<td>22.48</td>
<td>28.07</td>
<td>--</td>
<td>26.06</td>
</tr>
<tr>
<td>MSCI All Country Asia ex-Japan Net Index</td>
<td>2.70</td>
<td>2.70</td>
<td>57.31</td>
<td>8.88</td>
<td>13.79</td>
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<td>13.43</td>
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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 1.28% for Class I shares and the net expense ratio is 1.10%. 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. The minimum initial investment is $5,000,000.

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 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.
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. Asia market entails liquidity risk due to the small markets and low trading volume in many countries. In addition, companies in the region tend to be volatile and there is a significant possibility of loss. Furthermore, because the strategy concentrates in a single region of the world, performance may be more volatile than a global strategy. 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. 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). 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.

INDEX INFORMATION

The MSCI All Country Asia ex Japan Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of Asia, excluding Japan. 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.
IMPORTANT INFORMATION

The views and opinions expressed are those of the investment team at the time of writing and are subject to change at any time due to market, economic, or other conditions, and may not necessarily come to pass. These comments are not representative of the opinions and views of the firm as a whole. Holdings and sectors/region weightings are subject to change daily. All information provided is for informational purposes only and should not be deemed as a recommendation to buy or sell securities in the sectors and regions referenced.

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Certain information herein is based on data obtained from third party sources believed to be reliable. However, we have not verified this information, and we make no representations whatsoever as to its accuracy or completeness.

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.

Morgan Stanley Investment Management is the asset management division of Morgan Stanley.

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