

Morgan Stanley Institutional Fund

Developing Opportunity Portfolio

GLOBAL OPPORTUNITY

Performance Review

In the quarter period ending December 31, 2025, the Portfolio's I shares returned -8.65% (net of fees)¹, while the benchmark returned 4.73%.

Global Opportunity 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 Emerging Markets Index this quarter due to unfavorable stock selection and sector allocation.

Market Review

Emerging markets equities advanced in the quarter, driven by the information technology, materials, energy and industrials sectors. The consumer discretionary, health care, communication services and real estate sectors underperformed the benchmark. On a country basis, South Korea, Chile, Hungary, Colombia and Poland outperformed, while China, Saudi Arabia, Turkey, Qatar and Kuwait declined, underperforming the benchmark.

Portfolio Activity

A sector overweight allocation to consumer discretionary, a sector underweight allocation to information technology and stock selection in industrials were the greatest overall detractors from relative performance. Top individual detractors included Korean ecommerce platform Coupang, Latin American ecommerce company MercadoLibre, Indian quick commerce company Eternal, Southeast Asian super app Grab and Chinese autonomous driving technology company Pony AI.

Conversely, sector underweight allocations to health care, consumer staples and utilities were the greatest overall contributors to the relative performance of the portfolio during the period. Top individual contributors included Taiwan Semiconductor Manufacturing Company, lifestyle company Titan, Latin American virtual bank Nu Holdings and Indian private sector banks Axis Bank and HDFC Bank.

Shares of Coupang declined after reporting a cybersecurity incident involving unauthorized access to customer accounts. We are closely monitoring the issue, and note that the company activated an incident response, disabled the threat actor's unauthorized access, reported the incident to authorities and warned customers of potential impact. Based on company filings, no customer financial information or login credentials were compromised in the incident. Coupang is Korea's largest ecommerce company, operating under a first-party and third-party model, with a focus on building a next-generation customer experience by enabling a large selection of items at low prices delivered on the same or next day, with a frictionless return process. For example, the average Rocket delivery time was under 12 hours and 99% of orders were delivered within one day.² We believe Coupang is unique due to its scalable logistics infrastructure, low customer acquisition cost structure, loyal customer base of nearly 14 million paid subscribers³ to its Rocket WOW membership program, and a growing third-party marketplace that may be further monetized through advertising and fulfillment services. The company's differentiation and efficient scale may enable it to gain share of a fragmented ecommerce market, with the potential to extend its ecosystem beyond its core business and establish strong positions in new verticals such as food delivery and fintech. Coupang currently accounts for a small percentage of Korea's overall ecommerce market, which is

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

² Source: Coupang company data as of September 30, 2025.

³ Source: Coupang company data as of June 30, 2025.

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

projected to exceed \$336 billion by 2027,⁴ and we have seen from other geographies that an ecommerce market leader can capture as much as one-sixth of the country's total retail sales.⁵

Shares of MercadoLibre underperformed given the increased intensity of competition in Brazilian ecommerce in the second half of 2025. This raised concerns on potential loss of market share and margin pressure. MercadoLibre is the largest ecommerce platform in Latin America, with a presence in 18 countries including Brazil, Argentina and Mexico; 107 million active buyers on its online marketplaces; and 72 million fintech active users of its Mercado Pago digital payments platform.⁶ We believe MercadoLibre can increasingly benefit by monetizing the uniqueness of its platform in Latin America, which has a population of more than 668 million and one of the fastest-growing internet penetration rates in the world.⁷

Shares of Taiwan Semiconductor Manufacturing Company (TSMC) rallied in the quarter, driven by stronger AI accelerator demand, tight leading edge and CoWoS (chip on wafer on substrate with silicon interposer) capacity and faster technology migration. The market is expecting TSMC to further increase its pricing for its advanced nodes, as well as increasing its CoWoS and advanced packaging capacity to address the strong demand from graphics processing units (GPUs) and application-specific integrated circuits (ASICs). TSMC is the world's largest semiconductor foundry service provider with over 70% foundry market share.⁸ 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 Titan outperformed given healthy consumer demand in a strong festive season, which supported robust earnings growth despite continued competitive intensity. Titan is India's leading lifestyle company, with market leading positions in the jewelry, watches and eyecare categories. As India's per capita gross domestic product increases, we believe demand for its product suite, especially jewelry, will likely stay strong. Separately, regulatory reforms and digitization are making unorganized sectors unprofitable. Titan has been actively deepening its product base to cater to people across the economic spectrum and entering new cities/towns, enabling its customer base to increase. We believe these factors can help Titan deliver strong revenue growth for multiple years. It manages its supply chain quite effectively, which has enabled it to generate returns on invested capital that are nearly double those of its closest peers.

Strategy and Outlook

Quality underperformed by the largest percentage in over 20 years in 2025, trailing the MSCI All Country World Index (ACWI) by 424 basis points (bps) globally.⁹ The rotation has benefited shares of lower quality cyclicals characterized by slower growth, lower profitability and higher debt, in a market driven by exuberance for artificial intelligence and more accommodative monetary policy.

This dynamic has been more pronounced outside the U.S. as quality underperformed international stocks by 1,041 bps in 2025, driven by outperformance in shares of European financials and defense, and Asian semiconductors and materials.¹⁰ The impact in the U.S. has been partially insulated by the inclusion of five of the Magnificent 7 stocks within the MSCI ACWI Quality Index. Our portfolio has historically underperformed in similar rotational market environments, where top-down factors outweigh bottom-up fundamentals.

Despite a challenging market environment to navigate, our investment philosophy remains unchanged. We have high conviction in our portfolio holdings, supported by strong execution stories and robust fundamentals. Our portfolio is now trading at an attractive absolute valuation level of 6.5% free cash flow yield, and our companies are expected to grow revenues 13.8% compounded annually over the next three years, twice that of the benchmark at 9.4%.¹¹

⁴ Source: Payments & Commerce Market Intelligence as of October 2025.

⁵ Source: Alibaba earnings call transcript, March Quarter 2020 and FY 2020 Results.

⁶ Source: MercadoLibre company data as of September 30, 2025.

⁷ Source: United Nations Population Division, December 2024.

⁸ Source: TrendForce as of June 30, 2025.

⁹ Quality stocks are represented by the MSCI ACWI Quality Index, which aims to capture the performance of quality growth stocks by identifying stocks with high quality scores based on three main fundamental variables: high return on equity, stable year-over-year earnings growth and low financial leverage. Year-to-date as of December 31, 2025, the MSCI ACWI Quality Index returned 18.10% and the MSCI ACWI returned 22.34%. Source: MSCI. One basis point = 0.01%

¹⁰ Year-to-date as of December 31, 2025, the MSCI ACWI ex USA Quality Index returned 21.98% and the MSCI All Country World ex USA Index returned 32.39%. The MSCI ACWI ex USA Quality Index aims to capture the performance of quality growth stocks by identifying stocks with high quality scores based on three main fundamental variables: high return on equity, stable year-over-year earnings growth and low financial leverage. Source: MSCI.

¹¹ Based on 2027 consensus estimates. Source: FactSet, Morgan Stanley Investment Management. Data as of December 31, 2025.

Fund Facts

Inception Date	February 14, 2020
Minimum Initial Investment (\$)*	A Shares - 1,000
	I Shares - 1,000,000
Benchmark	MSCI Emerging Markets Net Index
Class I expense ratio	Gross 2.00 %
	Net 1.15 %
Class A expense ratio	Gross 2.32 %
	Net 1.50 %

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 (%)

<i>As of December 31, 2025</i>	MTD	QTD	YTD	1 YR	3 YR	5 YR	10 YR	SINCE INCEPTION
Class I Shares at NAV	-0.99	-8.65	8.29	8.29	10.04	-5.48	--	1.54
Class A Shares at NAV	-1.02	-8.71	7.96	7.96	9.65	-5.78	--	1.23
Class A Shares (With Max 5.25% Sales Charge)	-6.23	-13.51	2.29	2.29	7.70	-6.79	--	0.31
MSCI Emerging Markets Net Index	2.99	4.73	33.57	33.57	16.40	4.20	--	6.69

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.

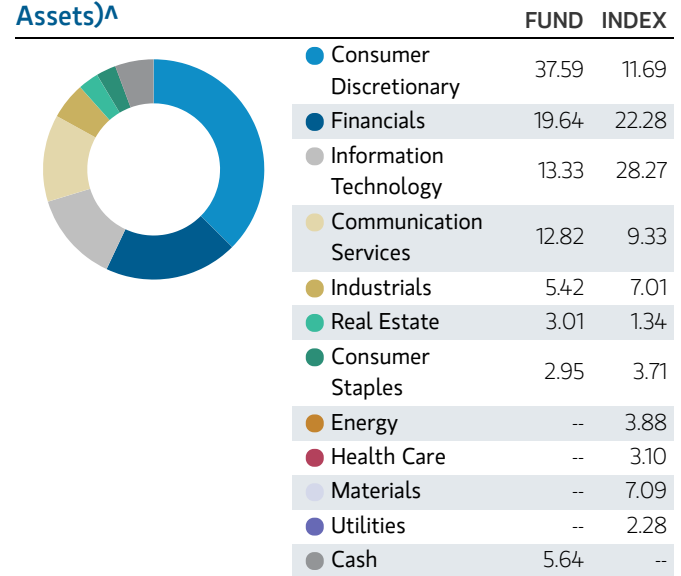
Returns are net of fees and assume the reinvestment of all dividends and income. They are compared to an unmanaged market index. Returns for less than one year are cumulative (not annualized). Performance for one year or more is based on average annual total returns. The returns are reported for Class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

* 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
Taiwan Semiconductor Mfg Co. Ltd	9.71	11.88
MercadoLibre Inc	6.60	--
Coupang Inc	5.46	--
NU Holdings Ltd	4.98	0.55
Trip.com Group Ltd	4.85	0.43
ICICI Bank Ltd	4.54	0.77
Tencent Holdings Ltd	4.52	4.82
Meituan	4.45	0.65
Baidu Inc	4.16	0.37
Eternal Ltd	4.15	0.07
Total	53.42	--

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



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

INDEX INFORMATION

The **MSCI Emerging Markets Net Index** is a free float-adjusted market capitalization weighted index that is designed to measure equity market performance of 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 Index currently consists of 24 emerging markets countries. 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. The risks of investing in **frontier emerging markets** are greater than risks associated with investments in other foreign or U.S. issuers and they are often considered highly speculative in nature. **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. **Focused Investing.** To the extent that the Portfolio invests in a limited number of issuers, the Portfolio will be more susceptible to negative events affecting those issuers and a decline in the value of a particular instrument may cause the Portfolio's overall value to decline to a greater degree than if the Portfolio were invested more widely. **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. **Liquidity risk** The portfolio may invest in restricted and illiquid securities, which may be difficult for the portfolio to sell at a reasonable price. **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. **India Risk.** To the extent the Portfolio invests a substantial portion of its assets in Indian issuers, the Portfolio may be adversely affected by factors that impact Indian businesses and the Indian economy (among other factors) and such factors may have a disproportionate impact on 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 **financials sector**, factors that have an adverse impact on this sector may have a disproportionate impact on 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.

This material is a general communication, which is not impartial and all information provided has been prepared solely for informational and educational purposes and does not constitute an offer or a recommendation to buy or sell any particular security or to adopt any specific investment strategy. The information herein has not been based on a consideration of any individual investor circumstances and is not investment advice, nor should it be construed in any way as tax, accounting, legal or regulatory advice. To that end, investors should seek independent legal and financial advice, including advice as to tax consequences, before making any investment decision.

Certain information herein has been prepared on the basis of publicly available information, internally developed data and other third-party sources believed to be reliable. However, no assurances are provided regarding the reliability of such information and the Firm has not sought to independently verify information taken from public and third-party sources.

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.

The whole or any part of this material may not be directly or indirectly reproduced, copied, modified, used to create a derivative work, performed, displayed, published, posted, licensed, framed, distributed or transmitted or any of its contents disclosed to third parties without MSIM's express written consent. This material may not be linked to unless such hyperlink is for personal and non-commercial use. All information contained herein is proprietary and is protected under copyright and other applicable law.

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