

## Morgan Stanley Institutional Fund

## Emerging Markets ex China Portfolio

## EMERGING MARKETS EQUITY TEAM

## Performance Review

In the quarter period ending September 30, 2025, the Portfolio's I shares returned 7.46% (net of fees)<sup>1</sup>, while the benchmark returned 6.64%.

Artificial intelligence (AI) optimism continued during the quarter and our stock selection in Taiwan contributed to returns, led by the overweight to select AI hardware and semiconductor-related companies including TSMC, Delta Electronics, Wiwynn, Honi Hai and Unimicron. We believe Taiwan is one of the best positioned markets in the AI hardware supply chain given it is home to TSMC (which is the sole supplier for almost all AI chips and dominates the advanced packaging technology capacity) and to companies like Honi Hai and Wiwynn, which have significant market share in the AI server assembly space.

Materials were the best performing sector in the MSCI Emerging Markets ex China Index, returning nearly 20% for the quarter and over 38% year-to-date, led by mining and processing companies in gold, copper and rare earth metals, as the spot prices for many of these reached highs in the quarter. The portfolio benefited from the allocation to Antofagasta in Chile as copper spot prices continued to increase year-to-date and rose again in September following a mine disruption in Indonesia that led to a supply shock and a downward revision in supply forecasts.

Stock selection in Korea contributed, led by the overweight allocation to Samsung Electronics, though gains were slightly offset by the underweight allocation the market. Samsung's stock rallied after the company received a long-awaited certification from Nvidia (the dominant buyer of advanced memory) on its HBM3E (high-bandwidth memory), which is now approved for use in AI accelerators. Though the initial amount of chips to be supplied to Nvidia is expected to be relatively small, the qualification from Nvidia marked a significant milestone for Samsung, particularly in the competitive and rapidly advancing AI chip race.

The overweight to and stock selection in Brazil added to returns, led by our overweight allocations to Rede D'Or, Raia Drogasil and BTG Pactual. Private hospital operator Rede D'Or and pharmacy retailer Raia Drogasil both reported strong second quarter 2025 results during the quarter. BTG Pactual's stock saw its sharpest rise in five years in one day in August, reaching a then-all-time high as the bank's recorded profits beat expectations, with strong performance across investment banking, asset management and lending. The bank also expanded its client base and assets under management, showing healthy growth despite the high interest rate environment.

The Fund's overweight allocation to Egypt also contributed to returns, led by the allocation to Commercial International Bank of Egypt (COMI). The bank reported strong first half 2025 financial results during the quarter, driven by core banking revenue and deposit growth, continued momentum in corporate and retail lending and cost efficiency.

Stock selection in South Africa detracted, impacted by the zero allocations to select gold mining companies, as their stocks rallied on the back of the rising gold spot price. The allocations to OUTsurance and Capitec Bank also detracted, the latter after the stock traded largely flat for September. Capitec recently announced results for the first half of its fiscal year through August 31, 2025, reporting a 26% increase in profits with growth driven by its fintech and banking segments and continued expansion of its active customer base.

Stock selection in India was positive, but the overweight allocation to the country hampered relative returns as the market optimism around goods and services tax (GST) rate reductions were offset by changes to the H-1B visa program and tariffs. Within the market, allocations to Max Healthcare, Lodha Developers, ICICI Bank, Hitachi Energy and Reliance Industries detracted. Lodha and other real estate developers were impacted by concerns on increasing supply and greater investor focus on more defensive sectors, while Reliance's stock slid after quarterly results showed weakness in its retail segment and refining business.

Our stock selection in Mexico also detracted, impacted by the zero allocations to select materials companies, including Grupo Mexico, Industrias Penoles and CEMEX. Elsewhere within Mexico, the overweight allocation to Walmex also detracted on news of the CEO's resignation during the quarter.

<sup>1</sup> Source: Morgan Stanley Investment Management. Data as of September 30, 2025. Performance for other share classes will vary.

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

## Portfolio Activity

We added to the allocation to Korea during the quarter, reducing the underweight to the country based on the strength of post-election sentiment and the government's Value Up measures. We initiated a position in Hyundai Motor and added to the existing position in NAVER. Hyundai will likely increase its market share in hybrid electric vehicles (HEVs), with HEV profitability expected to remain strong. In addition, battery electric vehicle (BEV) profitability has remained relatively stable. NAVER has seen healthy growth within its e-commerce business and management has a focused approach on launching quick commerce and last-mile delivery solutions. The company also continues to grow its on-service AI strategy that is centered on the utility of users and advertisers.

In Taiwan, we added to the existing position in MediaTek, one of the largest integrated circuit (IC) design companies focused on providing system-on-chip (SoC) for smartphones. We believe there are potential catalysts for the company such as rising edge AI smartphone demand and customized AI chip opportunities.

Within Kazakhstan, we added Kazatomprom, the world's largest and lowest-cost producer of uranium. The company has a net cash balance sheet and is producing strong free cash flow and dividend yields at current spot prices. The appreciation in uranium prices this year has been driven by more favorable government policies toward nuclear energy around the world and tighter power markets underpinned by rising AI data center demand. Longer term, we expect nuclear energy to take on a larger role in the energy transition as it is a dependable, carbon-conscious source of baseload power.

We also initiated a position in Powszechna Kasa Oszczednosci Bank (PKO), one of the largest financial services institutions in Poland. Our investment thesis is driven by an improving outlook for corporate loan growth as private investment picks up in Poland, as well as the winding down of its Swiss franc mortgage losses by this year, which may result in strong earnings growth as it offsets net interest margin impact from lower rates. Elsewhere in Poland, we exited our position in insurer PZU as the company is undergoing a corporate restructuring which could have a dilutive impact in the medium term.

We initiated a position in Swiggy in India. Swiggy is a pioneer in hyperlocal commerce as one of the first companies to launch on-demand delivery of food and groceries (known as quick commerce) in India. The company operates across food delivery, quick commerce, out-of-home consumption through dine-out, and platform innovations covering new initiatives around logistics and supply chain distribution through its super-app. We believe that quick commerce economics is showing a path to profitability given increasing demand for convenience as India is among the lowest penetrated of modern retail and ecommerce (within the grocery segment) with one of the densest grocery networks. The food delivery market in India is largely a duopoly, and following Swiggy's initial public offering, management is focused on execution and strategy. We believe the company is adequately capitalized to compete and bridge the market share gap with its top competitor in the market. Elsewhere in India, we exited Delhivery and Star Health & Allied Insurance, the latter as the company has struggled with rising medical inflation and the ability to organically grow the top-line.

We initiated a position in BTG Pactual in Brazil and exited Gruma in Mexico where we believe most of the pricing upside and margin improvements have played out. Our investment thesis for BTG Pactual is based on the company's increased focus on asset management, wealth management, digital banking and commercial lending, which is likely to lead to strong top and bottom-line growth for the coming years.

## Strategy and Outlook

We believe that our integrated top-down and bottom-up analysis remains critical to identify the most attractive macro and stock investments across emerging markets (EM) ex China. Both levers continue to be balanced drivers of active returns and risk. In what we expect to be a mixed outlook for growth and ongoing realignment in the global economy, we believe the portfolio is well positioned while providing significant diversification with active positioning at both the country and stock level.<sup>2</sup>

We remain overweight **India** where our long-term secular, domestic-driven growth thesis remains unchanged. We are closely watching for impacts from external factors such as developments in U.S. economic growth and ongoing tariff discussions (with the 50% U.S. tariff on imports now in effect). Prime Minister Modi made multiple changes to the GST, which became effective September 22 and could help boost consumption across a number of categories and be another tailwind for the equity market. Early estimates were that the tax cuts could add 0.6 percentage points to nominal growth and reduce inflation by 0.6-0.8 percentage points.<sup>3</sup> The Reserve Bank of India (RBI) remains focused on financial stability and we believe corporates are well positioned as returns on equity and profitability of listed companies are strong and earnings visibility remains high. Shifts in economic growth should coincide with changes in liquidity conditions, monetary policy, government spending and the flow of credit. Our exposure in India is diversified and includes what we consider to be well-managed financials, industrials and consumer names, along with select IT, real estate, health care, energy and materials companies.<sup>2</sup>

The portfolio is overweight **Poland**, where we believe the economy is well positioned for sustained growth, led by domestic demand, manageable inflation, a tight labor market, improved external balances and low debt. Private investment should be a key driver of growth, aided by disbursement of European Union funds, and Germany's fiscal stimulus package should provide additional support in the

<sup>2</sup> Diversification neither assures a profit nor guarantees against loss in a declining market.

<sup>3</sup> Source: IDFC First Bank Ltd. as of August 17, 2025.

medium term. Poland's Monetary Policy Council (MPC) unexpectedly cut rates by 25 basis points (bps) in July and following the reported drop in inflation data, the MPC cut the benchmark rate by another 25 bps in September, bringing the total reduction for 2025 so far to 100 bps.<sup>4</sup> Overall, we believe the Poland economy is structurally among the strongest in the Central and Eastern European region (particularly given its greater domestic focus) and we remain invested in the largest bank in the country, an infrastructure construction company, an e-commerce platform and a producer of flexible packaging solutions and aluminium systems.

**Brazil** continues to be a portfolio overweight. While gross domestic product (GDP) growth is expected to slow this year due to high real interest rates and tariff uncertainty, we think that inflation and therefore rates should begin to come down in the next three to six months, which will likely be positive for rate-sensitive names owned in the portfolio. The October 2026 presidential elections could introduce more pro-business policies, adding a further catalyst to the equity market—we are closely monitoring the potential candidates likely to run against President Lula. Other tailwinds for the economy include strong private sector job creation, a higher trade surplus, solid foreign direct investment and attractive currency and equity valuations.

We are overweight **Mexico**. While we are closely monitoring the tariffs news and impacts to trade and growth (with an exemption for USMCA-compliant goods and President Trump announcing a 90-day tariff delay beginning July 31 as negotiations continue), we believe strategic and economic interests will likely prevail and help keep the relationship between the U.S. and Mexico on track. Structurally, Mexico's GDP growth has remained strong with no major imbalances, growing real wages and continued investment (led by foreign direct investment and the country's attractive strategic positioning in the global supply chain with more competitive manufacturing wages). We believe many domestically focused companies trade at attractive valuations and should continue to benefit from a solid macro outlook, which would likely translate into solid earnings growth and dividend yields.

## Fund Facts

Inception Date	September 30, 2022
Minimum Initial Investment (\$)*	A Shares - 1,000
	I Shares - 1,000,000
Benchmark	MSCI Emerging Markets ex China Net Index
Class I expense ratio	<b>Gross 5.26 %</b>
	<b>Net 0.99 %</b>
Class A expense ratio	<b>Gross 8.43 %</b>
	<b>Net 1.35 %</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, 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 September 30, 2025	MTD	QTD	YTD	1 YR	3 YR	5 YR	10 YR	SINCE INCEPTION
Class I Shares at NAV	6.46	7.46	21.67	13.12	19.27	--	--	19.27
Class A Shares at NAV	6.34	7.26	21.30	12.67	18.81	--	--	18.81
Class A Shares (With Max 5.25% Sales Charge)	0.74	1.63	14.95	6.73	16.71	--	--	16.71
MSCI Emerging Markets ex China Net Index	6.02	6.64	22.13	12.22	17.91	--	--	17.91

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.

<sup>4</sup> One basis point = 0.01%

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

## INDEX INFORMATION

The **MSCI Emerging Markets ex China Index** captures large and mid cap representation across 23 of the 24 Emerging Markets (EM) countries\* excluding China. With 654 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country. 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. 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 strategy. Please be aware that this strategy 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. **Derivative instruments** can be illiquid, may disproportionately increase losses and may have a potentially large negative impact on the portfolio's performance. **Illiquid securities** may be more difficult to sell and value than publicly traded securities (liquidity risk). Strategies that incorporate **impact investing** and/or **Environmental, Social and Governance (ESG)** factors could result in relative investment performance deviating from other strategies or broad market benchmarks, depending on whether such sectors or investments are in or out of favor in the market. As a result, there is no assurance strategies that incorporate ESG factors could result in more favorable investment 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.

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](https://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.