Morgan Stanley Institutional Fund

Emerging Markets ex China Portfolio

EMERGING MARKETS EQUITY TEAM

Performance Review

In the quarter period ending December 31, 2025, the Portfolio's I shares returned 11.59% (net of fees)[1], while the benchmark returned 10.22%.

Portfolio performance for the quarter was led by our stock selection in Taiwan, the underweight allocation to Saudi Arabia and zero allocations to Gulf Cooperation Council (GCC) markets. The overweight to Chile and the overweight to and positioning in Brazil also added to returns. Detractors for the quarter included the overweight allocation to India, stock selection in Poland and Mexico, and the underweight allocation to Korea. Stock selection in health care, including the position in Medicover (1.1% of the portfolio), also detracted.[2]

Top contributors to performance for the quarter are outlined below:

Stock selections in Taiwan contributed to returns, through the overweights to select semiconductor and technology hardware companies including Wiwynn, Unimicron, TSMC and ASE Technology (1.3%, 1.1%, 19.2% and 1.8% of the portfolio, respectively).[2] Wiwynn benefited from strong demand for artificial intelligence (AI) servers, particularly in hyperscale data center deployments, while Unimicron saw resilient growth in printed circuit board (PCB) orders, supported by next-generation computing infrastructure.

The underweight allocation to Saudi Arabia and the zero allocations to other GCC markets added to returns. Saudi Arabia faced headwinds from declining crude prices, which weighed on oil revenues and weakened investor sentiment.

The portfolio also benefited from the overweight allocation to Chile, which rallied ahead of the November election and following the result of a newly elected conservative government. Copper miner Antofagasta (2.2% of the portfolio)[2] benefited from the surge in copper prices, based on tight supply conditions and increasing demand from tailwinds such as electrification and AI infrastructure.

Stock selection in and the overweight allocation to Brazil contributed, through the overweights to electric motors manufacturer WEG (1.3% of the portfolio) and pharmaceutical retail chain Raia Drogasil (sold).[2] The zero allocation to Petrobras also added to returns. WEG's stock sharply rebounded in the quarter after facing pressure earlier in the year from tariff-related volatility as a global exporter. The company continues to scale its investments across the energy, electric mobility and industrial automation segments, and we think the company will likely continue to benefit from greater demand in these business segments.

Top detractors from performance during the quarter are outlined below:

The overweight allocation to India detracted. The equity market was impacted during the year by a broader cyclical economic slowdown, tariff volatility and global investor flows largely going toward global AI plays. We remain structurally positive on India and believe the equity market can recover in the coming quarters.

Stock selection in Poland also detracted, though the overweight allocation to the market contributed positively. Within the market, the overweights to Grupa Kety and e-commerce platform Allegro hampered portfolio performance (1.7% and 0.7% of the portfolio, respectively).[2] Allegro declined as a result of concerns about future GMV (gross merchandise value) growth and increased competition from Chinese platforms weighing on its stock price.

Aggregate stock selection in Mexico detracted from relative returns, through the overweight allocations to Banorte (1.2% of the portfolio) and Kimberly-Clark de Mexico (sold).[2] Kimberly-Clark de Mexico underperformed in October following a weaker-than-expected third quarter earnings report, which showed a decline in gross margins impacted by higher raw input prices and unfavorable currency effects.

The overweight to Samsung Electronics (9.1% of the portfolio)[2] was the largest stock contributor to overall portfolio returns during the period as the stock benefited from increased demand for memory chips and optimism around AI server demand and memory pricing driving its sharp rebound. Gains were offset by the underweight allocation to Korea as it was the best performing EM market in the fourth quarter.

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

Relative returns were impacted by the allocation to Medicover. The company reported third quarter results where management highlighted that the upcoming fourth quarter results could be impacted by headwinds including profitability drags from newly opened hospitals and early signs of softer consumer demand.

Portfolio Activity

During the quarter, we initiated positions in Telefonica Brasil (Vivo) and Motiva (0.5% and 0.8% of the portfolio, respectively).[2] Vivo is the largest Brazilian wireless operator with high market share in fixed broadband. We believe that in general Brazilian telecom companies should benefit from a favourable competitive environment after the bankruptcy of a competitor, helping to raise revenue per user along with lowering capital expenditure intensity, which we think should continue to support free cash flow. In particular, we think Vivo is well positioned due to lower expected capital expenditure intensity over the next few years and growing enterprise revenues driven by internet of things (IoT), cloud and cyber security solutions. The company continues to pay out almost all its free-cash-flow to investors.

Motiva is the largest toll road and subway operator in the country. Our investment thesis is driven by improved corporate governance with construction companies now focused on more disciplined capital allocation, as well as strategic moves by the new management team in lowering cash operation expenditure and selling non-core assets. We believe the company could also be a beneficiary of lower interest rates if the rate cut cycle begins.

Elsewhere in Brazil, we exited the position in Raia Drogasil. The stock was up nearly 60% in the last six months as the company is benefiting from increased sales in GLP-1 drugs, which we believe is masking structural challenges to its business model, including increased competition in health and personal care and over-the-counter products from online players. The company's low private label penetration has made it harder to counter competitive pressures, and improvement in this area is expected to be gradual.

We exited Kimberly-Clark de Mexico as the stock has marginally disappointed through topline growth and gross margins, with these misses largely due to a weaker consumer demand and increased market competition. Margin disappointment was due to exogenous drivers, including high input prices and a weak currency.

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). 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.[3]

We remain overweight **India** based on our long-term secular, domestic-driven growth thesis. The recent cyclical underperformance has resulted in the market's largest relative underperformance to EM in the last 15 years, and we think the economy and market should begin to show signs of a recovery in the coming quarters. Private consumption has emerged as the key growth engine, supported by goods and service tax (GST) rate cuts, income tax rebates, and easing liquidity, creating a meaningful tailwind for discretionary demand. Inflation remains contained, allowing the Reserve Bank of India flexibility to maintain accommodative monetary policy. We see early signs of a bottoming in corporate earnings and remain constructive on India's manufacturing push, supported by labor reforms and targeted incentives. While the current 50% U.S. tariff on Indian imports may continue to weigh on near-term sentiment, India's low trade dependence and expanding export diversification should help mitigate external risks. We believe that the potential easing of U.S. tariffs could be an additional tailwind for the market. We continue to be invested in structural thematics in India including financialization, accelerating credit growth, rising health care spend, import substitution and increasing linkages to the global supply chain, and digitization. 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.[3]

The portfolio is overweight **Poland**, where structural strengths and multiple tailwinds should drive sustained growth. Poland has shown resilient domestic demand helped by a tight labor market, manageable inflation along with improved external balances and low debt levels. Private investment is set to accelerate on the disbursal of European Union funds while Germany's fiscal stimulus package should provide additional support in the medium term. Inflation has fallen to 2.5%, within the target range, enabling 150 basis points[4] of rate cuts this year. Overall, we believe the Polish 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 and an e-commerce platform.

Brazil continues to be a portfolio overweight. While gross domestic product (GDP) growth was expected to slow in 2025 due to high real interest rates and tariff uncertainty, inflation is easing more quickly than expected. Inflation further declined to 4.4% in December, and we think that with lower inflation, interest rates should begin to come down in early 2026, which will likely be positive for rate-sensitive names owned in the portfolio. We are closely monitoring developments pertaining to the October 2026

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2 Holdings data as of December 31, 2025.
3 Diversification neither assures a profit nor guarantees against loss in a declining market.
4 One basis point = 0.01%

presidential elections, and the potential for an outcome of more market-friendly policies, particularly with regards to fiscal responsibility, which would likely add a further catalyst to the equity market. 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.

Within **Mexico**, we are closely monitoring updates on tariffs and believe strategic and economic interests will likely prevail and help keep the U.S. and Mexico relationship on track. Structurally the U.S.-Mexico-Canada Agreement (USMCA, up for renegotiation in mid-2026) remains a key focus as currently around 75%-80% of Mexican exports flow through the USMCA.[5] The current administration is also looking to boost domestic value-add through "Plan México," which aims to drive domestic reforms and enhance manufacturing competitiveness. The Bank of Mexico continued its easing cycle with another 25 basis point cut in December, signaling that inflation is on track and near the central bank's target of 3%, with future reductions dependent on continued inflation trends. While GDP growth has slowed, President Sheinbaum remains focused on economic growth and fiscal responsibility, with initiatives including job creation in specialty manufacturing and strategic sectors, rising 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 should continue to benefit from an improving macroeconomic outlook, which would likely translate into solid growth in earnings and dividend yields.

In addition, many smaller emerging market and frontier countries have historically been overlooked, but we believe this is changing. A number of these economies have emerged from periods of economic and political stress and are now entering more stable macroeconomic, political and market cycles. This segment of the market can offer unique exposure to countries that have a convergence opportunity to larger EMs with some showing increasing willingness to embark on structural reforms and fiscal discipline, and we look to be invested in these opportunities where we find quality growth investments, for example in **Kazakhstan** and **Egypt**.

Structurally, Kazakhstan is benefiting from strong population growth, increased oil production, de-dollarization and increased logistics/trade in the region. The country has successfully attracted investment from many countries due to its strategically important geography and commodity industries, balancing relations with China, Russia and Western countries. We believe the Egyptian economy is well positioned for improved external balances, growth and financial conditions, which has already resulted in significant investment flows as a result. Following major devaluations and volatility in the currency market, Egypt's central bank vigilantly brought interest rates to restrictive levels to cool inflation. On the external side, balance of payment data appears to be improving with increased remittances, tourism and non-oil exports. We are closely monitoring key risks, which include geopolitics, commodity prices and major pivots in domestic policy.

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	**Gross 5.26 %**
	Net 0.99 %
Class A expense ratio	**Gross 8.43 %**
	Net 1.35 %

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.

[5] Source: Liberty Street Economics

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

Performance (%)

As of December 31, 2025	MTD	QTD	YTD	1 YR	3 YR	5 YR	10 YR	SINCE INCEPTION
Class I Shares at NAV	4.22	11.59	35.77	35.77	20.24	--	--	21.68
Class A Shares at NAV	4.15	11.48	35.23	35.23	19.78	--	--	21.22
Class A Shares (With Max 5.25% Sales Charge)	-1.29	5.61	28.14	28.14	17.65	--	--	19.24
MSCI Emerging Markets ex China Net Index	4.70	10.22	34.61	34.61	18.72	--	--	19.95

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.

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

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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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