

Morgan Stanley Institutional Fund

Europe Opportunity Fund

GLOBAL OPPORTUNITY

Performance Review

In the quarter period ending December 31, 2025, the Portfolio's I shares returned 0.52% (net of fees)¹, while the benchmark returned 6.20%.

Year-to-date (YTD), the Portfolio returned 11.93% (I shares net of fees) and the benchmark returned 35.41%.

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 Europe Index this quarter due to unfavorable stock selection and sector allocation.

Market Review

European equities advanced during the quarter, led higher by the health care, utilities and financials sectors. Communication services was the only sector to decline, while real estate and industrials also underperformed the benchmark.

Portfolio Review

Stock selection and an overweight position in communication services, as well as stock selection in financials were the greatest overall detractors from the relative performance of the portfolio during the quarter. Top individual detractors included Swedish audio streaming platform Spotify Technology SA, online real estate platform Rightmove Plc, global payments facilitator Wise Plc, German software company SAP SE and Polish ecommerce platform Allegro.eu SA.

Stock selection and an underweight position in industrials, as well as stock selection in consumer discretionary contributed to the relative performance of the portfolio during the quarter. Top individual contributors included Danish freight forwarder DSV A/S, Italian luxury brand Moncler SpA, hospitality company Accor SA, Dutch supplier of lithography equipment ASML Holding NV and global luxury goods company LVMH Moët Hennessy Louis Vuitton SE.

Shares of Spotify underperformed during the period, despite reporting third quarter earnings that exhibited continued operating momentum, strong user and profitability growth, and record free cash flow, as investors turned their focus toward cautious revenue guidance driven by currency headwinds and recent softness in advertising business. Headquartered in Sweden, Spotify is an innovative audio streaming platform that exhibits differentiation leadership by leveraging the unique data of 713 million monthly active users, including 281 million paying premium subscribers,² 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.

Shares of Rightmove underperformed as the company lowered its profit expectations for 2026 due to increased technology investments as the company aims to build and scale an artificial intelligence (AI)-powered platform, which management expects to strengthen the company's leadership position and user engagement as well as expand its opportunity set. Rightmove is the U.K.'s largest online real estate portal and property marketplace. We believe Rightmove is unique in its network effect with market-leading audience, best-in-class software and data-driven analytics, and strong pricing power with advertising agents making it the only place

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

² Source: Company data as of September 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.

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where home buyers and renters can easily access almost the entire U.K. property market.³ We believe it can continue to monetize through increased product penetration, pricing and innovation, as well as through other adjacent property and advertising related businesses.

Shares of DSV advanced after posting stronger-than-expected third quarter earnings results and guiding towards sooner-than-expected synergies realized from the acquisition of DB Schenker logistics operations. DSV A/S 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.

Shares of Moncler outperformed during the period, with the company reporting results in line with market expectations, driven by resilience in the direct-to-consumer channel and robust demand in China and U.S., along with continued brand momentum heading into the important winter season. Additionally, broader improvements in investor sentiment toward the luxury market further drove outperformance. We believe that Moncler is unique due to its strong brand heritage, excellent quality and elegance, integrated business model and a strong management team. Based on our analysis, Moncler exhibits strong pricing power due to its differentiated and highly functional product offering, yet its pricing is still competitive relative to other core luxury players with similar products, leaving room for future pricing growth. Moreover, the company has innovative marketing and excellent storytelling, which it continues to leverage to expand into other product categories. Our analysis suggests Moncler's upmarket focus on sleek, distinctive high-end outerwear, category expansion and direct control of higher value-added activities can continue to give the company strong pricing power, high margins and return on invested capital.

Outlook

Quality underperformed by the largest percentage in over 20 years in 2025, trailing the MSCI All Country World Index by 424 basis points (bps) globally.⁴ This dynamic has been even more pronounced in Europe as quality underperformed by 1,220 bps in U.S. dollar terms, driven by outperformance in shares of European financials and defense.⁵ The Fund's underweight positioning in these industries reflects our disinclination to balance sheet and regulatory risk, high leverage and capital intensity, as well as reliance on government policy. Our preference remains investing in high quality companies with robust financial positions, which in our view are better situated to control their own destinies and successfully navigate periods of market uncertainty. Historically, our portfolio has 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 4.6% free cash flow yield, and our companies are expected to grow revenues 11.5% compounded annually over the next three years, notably higher than the benchmark at 7.6%.⁶ We believe this creates one of the most attractive backdrops in our strategy's history.

³ Source: Annual Report 2022

⁴ Quality stocks are represented by the MSCI All Country World Index (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%

⁵ Year-to-date as of December 31, 2025, the MSCI Europe Quality Index returned 23.21% and the MSCI Europe Index returned 35.41% in USD. The MSCI Europe 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.

⁶ Free cash flow yield based on 2027 consensus estimates. Source: Morgan Stanley Investment Management. Data as of December 31, 2025.

Fund Facts

Inception Date	July 28, 1997
Minimum Initial Investment (\$)*	A Shares - 1,000
	I Shares - 1,000,000
Benchmark	MSCI Europe Index
Class I expense ratio	Gross 1.36 %
	Net 1.05 %
Class A expense ratio	Gross 1.62 %
	Net 1.38 %

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
Class I Shares at NAV	0.45	0.52	11.93	11.93	16.34	0.24	7.65
Class A Shares at NAV	0.43	0.47	11.61	11.61	15.98	-0.08	7.30
Class A Shares (With Max 5.25% Sales Charge)	-4.85	-4.81	5.75	5.75	13.91	-1.15	6.72
MSCI Europe Index	3.90	6.20	35.41	35.41	18.22	10.30	8.52

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.

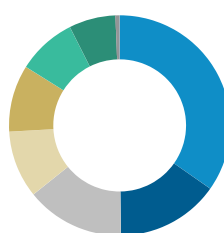
Returns are net of fees and assume the reinvestment of all dividends and income. They are compared to an unmanaged market index. Returns for less than one year are cumulative (not annualized). Performance for one year or more is based on average annual total returns. The returns are reported for Class 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
DSV A/S	9.74	0.38
Moncler S.p.A.	8.67	0.11
Hermès International S.A.	8.46	0.58
Spotify Technology S.A.	7.95	0.67
ASML Holding NV	5.01	3.08
Formula One Group	4.82	--
On Holding AG	4.76	--
L'Oréal S.A.	4.75	0.76
Schneider Electric SE	4.64	1.11
Adyen NV	4.61	0.30
Total	63.41	--

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



	FUND	INDEX
Consumer Discretionary	34.71	7.99
Communication Services	15.06	3.54
Industrials	14.39	18.89
Health Care	9.86	13.89
Financials	9.81	24.66
Information Technology	8.65	7.30
Consumer Staples	6.82	9.14
Energy	--	4.09
Materials	--	5.18
Real Estate	--	0.72
Utilities	--	4.59
Cash	0.59	--

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

INDEX INFORMATION

The **MSCI Europe Index** is a free float-adjusted market capitalization index that is designed to measure developed market equity performance in Europe. 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. Any index referred to herein is the intellectual property (including registered trademarks) of the applicable licensor.

RISK CONSIDERATIONS

There is no assurance that a mutual fund will achieve its investment objective. Funds are subject to market risk, which is the possibility that the market values of securities owned by the fund will decline and that the value of fund 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 fund. Please be aware that this fund 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. **European Investments Risk.** Adverse political, social or economic developments in Europe, or in a particular European country, could cause a substantial decline in the value of the Portfolio. In addition, because investments are concentrated in Europe, performance may be more volatile than a more geographically diversified set of investments. If one or more countries leave the European Union ("EU") or the EU dissolves, the world's securities markets likely will be significantly disrupted. The financial instability of some countries in the EU together with the risk of such instability impacting other more stable countries may increase the economic risk of investing in companies in Europe. **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**). 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.

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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