

## Morgan Stanley Institutional Fund

## Europe Opportunity Fund

## GLOBAL OPPORTUNITY

## Performance Review

In the quarter period ending September 30, 2025, the Portfolio's I shares returned -4.85% (net of fees)<sup>1</sup>, while the benchmark returned 3.62%.

Year-to-date (YTD), the Portfolio returned 11.35% (I shares net of fees) and the benchmark returned 27.50%.

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 unfavourable stock selection and sector allocation.

## Market Review

European equities advanced during the quarter, led higher by the financials, energy and consumer discretionary sectors. The real estate, communication services and consumer staples sectors declined, underperforming the benchmark.

## Portfolio Review

Stock selection in consumer discretionary, financials and industrials were the greatest overall detractors from the relative performance of the portfolio during the quarter. Top individual detractors included Danish freight forwarder DSV A/S, global financial markets data, analytics and infrastructure provider London Stock Exchange Group plc, French luxury brand Hermès, Swiss premium performance sports brand On Holding AG and Swedish audio streaming platform Spotify Technology SA.

Stock selection and an underweight position in information technology, as well as an overweight allocation to consumer discretionary contributed to the relative performance of the portfolio during the quarter. Top individual contributors included Dutch lithography equipment supplier ASML Holding NV, French eyewear maker EssilorLuxottica SA, French energy management solution Schneider Electric SE and luxury brands LVMH Moët Hennessy Louis Vuitton SE and Moncler SpA.

Shares of top detractor DSV declined on fears of global trade volumes slowing as a result of geopolitical uncertainty including from the implementation of tariffs as well as risk of weaker pricing as additional capacity enters the market. 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.

Detractor London Stock Exchange Group is a leading global financial markets infrastructure and data provider, with product offerings across the financial markets value chain, offering customers differentiated solutions in key use-cases. The company currently serves over 40,000 customers with over 400,000 end users, including 99 of the world's top 100 banks and 75 of top 100 asset managers.<sup>2</sup> The company has the most comprehensive dataset among peers,<sup>3</sup> and the company has entered a strategic partnership with Microsoft, which will enable integration into Microsoft 365 to make it easier for users to interact with the company's unique datasets. We believe the company can continue to monetize its differentiated dataset and unique presence across the value chain, as well as benefit from increased electrification and automation of financial markets and the ongoing trend towards proliferation of data and cloud-enabled business models.

Shares of top contributor ASML outperformed during the period driven by rebasing of investor expectations regarding 2026 revenue growth, easing of tariff noise, greater confidence of leading-edge logic and DRAM capital expenditure amid strong artificial

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

<sup>2</sup> Source: LSEG 2023 CMD Event November 2023.

<sup>3</sup> Source: Company web site as of January 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

intelligence (AI) data center demand, and supportive news flows around Samsung and Intel. We believe that ASML will likely benefit from strong leading-edge capacity ramp from TSMC, commitment to a leading-edge process roadmap by Intel, the continued DRAM EUV (extreme ultraviolet) layer count increase and migration towards high NA (numerical aperture) EUV. ASML is the leading supplier of lithography, metrology and inspection systems used in the semiconductor manufacturing process. ASML's competitive advantage is technological leadership and a niche supplier ecosystem, given it is the sole developer of a EUV lithography tool, which enables the cost-effective fabrication of nearly all leading-edge logic devices at the 7 nanometer and below process node. We believe ASML is poised to benefit from the introduction of more sophisticated high NA EUV, which is critical in enabling the shrink to 3 nanometer and below advanced semiconductor nodes needed for the proliferation of leading-edge applications such as AI, high performance computing and 5G without the need for multiple pass patterning, lithography tool productivity improvements as well as the continued adoption of EUV at leading-edge DRAM nodes.

Contributor EssilorLuxottica is the global leader in the eyewear market with over 150 brands and 15,000 patents and designs,<sup>4</sup> and its core business engages in the design, manufacture and distribution of ophthalmic lenses, frames and sunglasses. EssilorLuxottica has strong competitive moats, given its scale, complete product range, global geographical reach and vertically integrated operations with focus on innovation, manufacturing excellence and customer service. We believe EssilorLuxottica can continue to fortify its leadership position within the eyecare and eyewear market, through both organic growth and M&A, with its omnichannel strategy, and in its diversification into new growth verticals, including smart glasses, ophthalmological technology and integrated hearing aid solutions. As the leader in the space, the company is well positioned to benefit further from structurally strong demand for eyewear and hearing solutions, given aging populations, increased awareness of eye and hearing health, and premiumization trends.

## Outlook

In Europe, equities benefited from interest rate cuts by the European Central Bank, with outperformance in shares of banks and aerospace & defense leading benchmark gains in a continued rotation towards "old Europe" industries. 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 tended to underperform during rotational market environments dominated by macroeconomic or industry-driven shifts, where top-down factors outweigh bottom-up fundamental analysis.

While the third quarter's underperformance is disappointing, our conviction in the portfolio's holdings remains strong. The fundamentals of our companies are robust, with revenues expected to grow at a 12% compound annual rate over the next three years.<sup>5</sup> Moreover, 100% of our holdings are projected to generate positive free cash flow, with an attractive 5% free cash flow yield based on 2027 consensus estimates.<sup>5</sup>

## 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.

<sup>4</sup> Source: Company 2024 Universal Registration Document.

<sup>5</sup> Source: FactSet. Data as of September 30, 2025.

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

## Performance (%)

As of September 30, 2025

	MTD	QTD	YTD	1 YR	3 YR	5 YR	10 YR
Class I Shares at NAV	0.35	-4.85	11.35	8.36	22.24	4.48	7.56
Class A Shares at NAV	0.30	-4.96	11.09	8.00	21.83	4.15	7.19
Class A Shares (With Max 5.25% Sales Charge)	-4.96	-9.96	5.25	2.32	19.66	3.03	6.61
MSCI Europe Index	1.98	3.62	27.50	15.08	22.91	12.19	8.14

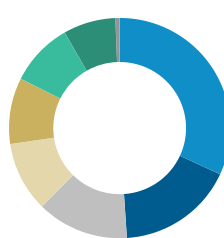
Performance data quoted represents past performance, which is no guarantee of future results, and current performance may be lower or higher than the figures shown. For the most recent month end performance figures, please visit [morganstanley.com/im](https://morganstanley.com/im). Investment returns 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.

## Top Holdings (% of Total Net Assets)

	FUND	INDEX
Spotify Technology S.A.	8.83	0.83
DSV A/S	7.83	0.32
Hermès International S.A.	7.73	0.60
Moncler S.p.A.	7.36	0.11
ASML Holding NV	5.64	2.98
Schneider Electric SE	5.59	1.19
Formula One Group	5.14	--
L'Oréal S.A.	4.50	0.81
EssilorLuxottica	4.30	0.76
On Holding AG	4.00	--
<b>Total</b>	<b>60.92</b>	<b>--</b>

## Sector Allocation (% of Total Net Assets)<sup>^</sup>



	FUND	INDEX
Consumer Discretionary	31.85	8.09
Communication Services	17.06	4.02
Industrials	13.42	19.61
Financials	10.26	23.73
Health Care	9.70	13.16
Information Technology	9.34	7.37
Consumer Staples	7.64	9.33
Energy	--	4.19
Materials	--	5.41
Real Estate	--	0.75
Utilities	--	4.33
Cash	0.61	--

<sup>^</sup> 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.

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.