Morgan Stanley
INVESTMENT MANAGEMENT

COMMENTARY
December 31, 2023

Morgan Stanley Institutional Fund

Global Core Portfolio

APPLIED EQUITY ADVISORS TEAM

Performance Review

In the quarter period ending December 31, 2023, the Portfolio's I shares returned 12.08% (net of fees)[1], while the benchmark returned 11.42%.

As a core portfolio, Global Core attempts to tilt toward the style of stock exposure (growth, value, defensive) that offers the best opportunity within the context of a typically 40- to 60-stock portfolio. With a limited number of stocks, diversification[2] among positions is a critical component of risk control.

Following are the most significant performance drivers relative to the MSCI World benchmark for the fourth quarter of 2023:

1. Geographic exposures:
   a. An overweight to China cost -1.08%.
   b. An overweight to Taiwan added +0.35%.

2. Style Exposures:
   a. An underweight to U.S. high beta stocks cost -0.42%. An underweight to the lowest U.S. beta stocks added +0.29%.
   b. An overweight to the U.S. highest quality stocks cost -0.25%.

3. Sector exposures:
   a. An underweight to health care added +0.54%.
   b. An underweight to consumer staples added +0.39%.

4. Specific Stocks:
   a. Five stocks: CRH (6.8% of the portfolio), Lululemon (2.9% of the portfolio), Microsoft (8.3% of the portfolio), United Rentals (2.9% of the portfolio) and Taiwan Semiconductor (3.9% of the portfolio) each rallied more than 20% for the quarter, resulting in a combined addition of +2.94%.[3]
   b. The only stock down of significance was Chevron (3.5% of the portfolio),[3] which lost -11% over the quarter. This cost the portfolio -0.98%.

Past performance is no guarantee of future results. The attribution is presented gross of fees. Had these fees and expenses been deducted, returns would be lower. See the next page for performance.

Strategy and Outlook

There are five reasons we believe the equity rally is not over:

1. Retail fund flows only turned positive in November, a year beyond the 2022 market low. This is consistent with past patterns for fund flows, and is likely fuel for further gains.
2. Since 1940, the S&P 500 has always (17 out of 17 times) gone up the year incumbent presidents run for re-election,[4] as is happening in 2024.
3. Historically, since 1974, once the Federal Reserve (Fed) stops hiking rates, the equity rally has lasted longer and gone higher.
4. At the current pace, monthly inflation numbers should continue to point in a downward trajectory, at least for the first half of 2024.
5. Technically, since 1960, broadening of the recent rally (90% of S&P 1500 stocks are above their 50-day moving averages) has an excellent history of predicting further gains ahead.[5]

We believe this would also point to a better time for stock picking versus indexing.

[1] Source: Morgan Stanley Investment Management. Data as of December 31, 2023. Performance for other share classes will vary.
[2] Diversification neither assures a profit nor guarantees against loss in a declining market.
[3] Holdings data as of December 31, 2023.
[4] Source: Strategas, Bloomberg L.P.
[5] Source: Sentiment Trader, December 20, 2023, and December 26, 2023.

What worries us:

1. After a year (2023) of very little pain for bullish investors, the next year has frequently challenged a bullish thesis.
2. Monthly inflation numbers will have tougher year-over-year comparisons in the second half of 2024.
3. Once the Fed cuts rates, will the bears scare the market?

How our portfolios are positioned:

1. We like a balance between growth (technology and consumer discretionary) and value (financials and industrials).
2. We remain underweight relative to the defensive sectors (health care and consumer staples).
3. While a weaker dollar makes non-U.S. investing more attractive, we don't buy into the "because foreign markets are cheaper" bullish argument.

Past performance is no guarantee of future results. The market returns referred to in the commentary are those of representative indices and are not meant to depict the performance of a specific investment.

Fund Facts

Inception Date	May 27, 2016
Minimum Initial Investment ($)*	A Shares - 1,000
	I Shares - 1,000,000
Benchmark	MSCI World Net Index
Class I expense ratio	**Gross 2.25 %**
	Net 1.00 %
Class A expense ratio	**Gross 2.60 %**
	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.

Performance (%)

As of December 31, 2023	MTD	QTD	YTD	1 YR	3 YR	5 YR	10 YR	SINCE INCEPTION
Class I Shares at NAV	3.64	12.08	17.96	17.96	3.81	12.18	--	8.36
Class A Shares at NAV	3.66	11.99	17.62	17.62	3.45	11.77	--	7.97
Class A Shares (With Max 5.25% Sales Charge)	-1.78	6.14	11.47	11.47	1.61	10.58	--	7.22
MSCI World Net Index	4.91	11.42	23.79	23.79	7.27	12.80	--	10.63

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.

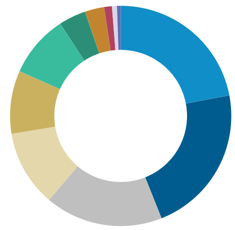
Returns are net of fees and assume the reinvestment of all dividends and income. They are compared to an unmanaged market index. Returns for less than one year are cumulative (not annualized). Performance for one year or more is based on average annual total returns. The returns are reported for Class 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
Microsoft Corp	8.27	4.41
CRH PLC	6.76	0.08
Apple Inc	6.22	5.00
Ferrari NV	5.77	0.07
JP Morgan Chase & Co	4.31	0.82
Ameriprise Financial Inc	4.28	0.06
Taiwan Semiconductor Mfg Co. Ltd	3.85	--
Chevron Corp	3.53	0.45
LVMH Moet Hennessy Louis Vuitton SE	3.46	0.37
Alphabet Inc	3.10	2.60
Total	**49.55**	--

Sector Allocation (% of Total Net Assets)



	FUND	INDEX
Consumer Discretionary	21.97	10.88
Information Technology	21.93	23.02
Financials	17.21	15.17
Communication Services	11.15	7.17
Materials	9.25	4.14
Industrials	9.11	11.11
Energy	3.99	4.47
Health Care	2.80	12.12
Utilities	1.15	2.61
Consumer Staples	0.72	6.84
Cash	0.53	--

^ May not sum to 100% due to rounding.

INDEX INFORMATION

The **MSCI World Net Index** is a free float adjusted market capitalization weighted index that is designed to measure the global equity market performance of developed 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 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. Stocks of **small-and medium-capitalization** companies entail special risks, such as limited product lines, markets and financial resources, and greater market volatility than securities of larger, more established companies. Investments in **foreign markets** entail special risks such as currency, political, economic, market and liquidity risks. **Illiquid securities** may be more difficult to sell and value than publicly traded securities (liquidity risk). **Non-diversified portfolios** often invest in a more limited number of issuers. As such, changes in the financial condition or market value of a single issuer may cause greater volatility. **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.

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, download one at morganstanley.com/im or call 1-800-548-7786. Please read the prospectus carefully before investing.

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