Morgan Stanley Institutional Fund

Global Strategist Portfolio

PORTFOLIO SOLUTIONS GROUP

Performance Review

In the quarter period ending December 31, 2025, the Portfolio's I shares returned 2.16% (net of fees)[1], while the benchmark returned 3.29%.

During the quarter under review, the Fund outperformed the MSIM Global Allocation Index, its custom benchmark, which returned 2.1%. During the quarter, global equities, represented by the MSCI All Country World Total Return Index (ACWI), returned 3.3% in USD while global bonds, as represented by the Bloomberg Global Aggregate Total Return Index (Global Agg), returned 0.2% in USD.[2]

The Fund's asset allocation, consisting of an overweight to fixed income and neutral allocation to global equities, had a negligible impact on performance.

Thematic positions contributing to performance during the quarter included overweight positions in European Banks and German Stimulus equities, held against MSCI Europe Index; an overweight position in emerging markets core bonds and U.S. Mortgage-Backed Securities (MBS) versus Bloomberg Global Aggregate Index; and overweight positions in European Liquid High Yield bonds against Bloomberg Global Aggregate Index. Positions that detracted from performance included an overweight to artificial intelligence (AI) defense equities held versus global equities, and an overweight to U.S. equities versus developed market ex Europe, U.S. and Japan equities.

Market Review

Global equities managed to post solid returns in the fourth quarter, closing 2025 just shy of 12-month highs. The MSCI ACWI delivered a 3.3% total return, bringing the full year return to 22.9%. The path was, however, not a straight line. Where the five months preceding the quarter saw steady gains and reduced volatility in the rebound from April's lows, global equities faced a degree of renewed volatility in the fourth quarter. The first bout of volatility came in October, but the decline was modest and brief in duration. An expansion of Chinese export controls and a subsequent U.S. threat of 100% tariffs brought renewed trade uncertainty and downside growth risk. Fortunately, both sides left room for negotiations and ultimately reached an agreement that removed near-term uncertainty.

The second bout of volatility came in November with a 4.3% decline in the MSCI ACWI that was the largest reset since April. The selloff was generally attributed to debates around December's Federal Reserve (Fed) rate cut decision and confidence in the AI trade, though the magnitude of the decline (and the subsequent rebound) was disproportionate to any relevant news flow. We argued that November's performance could best be understood as a period of market consolidation after several months of gains.

The U.S. government shutdown began on 1 October and came to an end on 12 November. Markets were mostly willing to look through the shutdown, recognizing that economic weakness stemming from the prior shutdowns tended to be offset by the subsequent rebound. Even so, there had been concern that economic weakness related to the U.S. government shutdown might complicate interpretation of the underlying economic trend and drive renewed recession concern. Economic data released subsequent to the shutdown was noisy and spoke to a degree of ongoing softness but was most notable in the absence of any signal of growth deterioration. This reduced the perceptions of recession risk, helping markets into year-end. It also brought renewed strength in cyclical sectors relative to defensives in December, after two months of defensive sector outperformance relative to cyclicals.

While parts of the AI trade remained strong in the fourth quarter, the trend was weaker and less consistent in its subcomponents. This had some impact on regional performance with U.S. equities underperforming ex-U.S.A. equities in the fourth quarter. The overall spread of regional equity performance in the second half of 2025 was, however, narrow relative to first-half regional volatility. A more stable dollar in the second half helped to reduce regional swings. Across regions, the S&P 500 Index returned 2.6% in the fourth quarter, while the MSCI Europe ex-U.K. Index gained 5.9% during the quarter. The MSCI Emerging Markets Index rose 4.7%,

1 Source: Morgan Stanley Investment Management. Data as of December 31, 2025. Performance for other share classes will vary.
2 Currency (FX) abbreviations used in this report are: USD = U.S. dollar, EUR = euro

supported by a weaker U.S. dollar and strong local currency performance, while the MSCI Japan Index delivered a 3.2% during the fourth quarter.

Within fixed income, intermediate- and long-term U.S. Treasury yields were relatively unchanged through the quarter. The U.S. 10-year yield ended the quarter at 4.17%, an incremental 2 basis points higher than quarter start.[3] The short end of the U.S. Treasury curve moved lower, benefiting from the Federal Reserve executing three consecutive 25 basis point rate cuts into year-end. Credit showed expected correlation with equities, with high yield spreads seeing some widening alongside October and November volatility but ultimately closing the year near tights.

Portfolio Activity

At the beginning of the quarter, we added several new themes and positions to the portfolio, including: "U.S. Productivity Boom" theme, featuring a more bullish view on the odds of U.S. equities outperforming non-U.S. equities going forward on greater productivity-enhancement opportunities (among regions, overweight U.S. equities vs. underweight international equities, and overweight a custom U.S. policy equity basket vs. underweight U.S. equities); "EU Fixed Income Overweight vs. U.S." theme, featuring our more favorable views on European high yield credit valuations (overweight Europe Liquid High Yield bonds vs. underweight global fixed income); "EU Investment Renaissance" theme, designed to leverage the long-term positive implications of fiscal expansion in Europe (overweight a custom German Stimulus basket vs. underweight Europe equities, overweight European bank equities vs. underweight Europe equities); "Corporate Credit is Expensive" theme, featuring overweights in sectors we deem most attractive in fixed income (overweight U.S. MBS vs. underweight global fixed income, overweight emerging markets core bonds vs. underweight global fixed income); "Global Fiscal Expansion/Productivity Boom" theme, which are further plays on global productivity and fiscal/spending trends (overweight U.S. bank loans vs. underweight global fixed income, overweight U.S. 10-year Treasury inflation-protected securities [TIPS] vs. underweight global fixed income); and "AI Phase II" theme, highlighting long-term beneficiaries of AI technology deployment, specifically in the defense industry (overweight a custom AI Defense equity basket vs. underweight global equities). Later in October, we rebalanced our overweight position in European bank stocks twice, moving first to concentrate the overweight exposure more directly in eurozone banks and secondly, in French banks. Specifically, we switched our Europe bank overweight from the STOXX Europe 600 Banks Net Return EUR Index to the EURO STOXX Banks Net Return EUR Index, with no change in sizing or the hedge leg of the trade (underweight MSCI Europe Index futures). Our second rebalancing was triggered by the continued underperformance of French bank stocks late in October, due to concerns over government stability and the budget deficit, as well as idiosyncratic events. We also initiated a new position within our "U.S. Productivity Boom" theme, overweight U.S. Regional Bank stocks (S&P Regional Banks Select Industry Index TR) held versus an underweight to U.S. equities (50% long MSCI USA Index short futures) and partially funded through a reduction in our overweight to the Europe Liquid High Yield bonds (50%). Towards the end of the quarter, we increased exposures to both our overweights to AI Defense global equities (held vs. MSCI World Index) and German equities related to rising fiscal stimulus (held vs. MSCI Europe Index) while initiating a new position overweight European utility equities (vs. MSCI Europe Index). We added a new European Utilities overweight position to our "EU Investment Renaissance" theme. We believe that structurally higher earnings growth expectations that are not overly reliant on AI/data center growth makes the sector attractive relative to European equities and global utilities.

Outlook

Entering last year, there were hopes that the start of a rate cutting cycle and the pro-growth components of the Trump administration's policy agenda might broaden what had been an uneven and narrow economic recovery through 2024. The hoped for broadening of growth failed to materialize in 2025, disrupted by the Trump administration's greater-than-expected tolerance for growth risk in pursuit of its trade agenda. Fortunately, economic growth through the second half of 2025 showed surprising resilience against lowered expectations. Continued narrow leadership has also once again carried equity market strength. Even so, the second half of 2025 can be understood as a tariff-induced soft patch.

We expect growth to remain robust globally in 2026, offering new hope for economic broadening and presenting a favorable backdrop for financial markets. Fed rate cuts, the front-loading of fiscal benefits within the Trump administration's tax and spending legislation, the accruing benefits of deregulation efforts, and fading tariff headwinds all point to stronger growth. Meanwhile, the AI theme begins the transition from investment stage to application stage, offering potential upside from realized productivity gains.

[3] One basis point = 0.01%

Fund Facts

Inception Date	December 31, 1992
Minimum Initial Investment ($)*	A Shares - 1,000
	I Shares - 1,000,000
Benchmark	MSCI All Country World Index
	Custom- Blended Index
Class I expense ratio	**Gross 0.81 %**
	Net 0.74 %
Class A expense ratio	**Gross 1.01 %**
	Net 1.01 %

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.
Effective on October 1, 2025, MSIM's Portfolio Solutions Group (PSG) will assume investment management responsibilities for the MSIFT - Global Strategist Portfolio, replacing Global Multi Asset (GMA). The transitioned strategies and individual portfolios will retain the same investment objectives and constraints, managed under PSG's distinctive investment process. Please refer to the Fund's prospectus supplement for more information about this and other corresponding changes.

Performance (%)

As of December 31, 2025	MTD	QTD	YTD	1 YR	3 YR	5 YR	10 YR
Class I Shares at NAV	0.82	2.16	17.65	17.65	13.06	5.52	7.11
Class A Shares at NAV	0.74	2.05	17.24	17.24	12.72	5.19	6.78
Class A Shares (With Max 5.25% Sales Charge)	-4.54	-3.32	11.11	11.11	10.71	4.07	6.21
MSCI All Country World Index	1.04	3.29	22.34	22.34	20.65	11.19	11.72
Blended Index	0.73	2.07	16.60	16.60	13.80	5.79	7.57

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.

Asset Allocation(%)

	PORTFOLIO	ACTIVE WT
Global Equities	60.28	0.28
Global Fixed Income	41.28	1.28
Cash	-1.56	-1.56

Currency Exposure(%)

	FUND
Developed Markets	**90.15**
North America	61.08
Europe	20.86
Asia ex-Japan	2.17
Japan	6.04
Emerging Markets	**9.85**

Regional Allocation (% Net of Cash)

	EQUITIES	FIXED INCOME
North America	41.63	14.47
Europe	9.04	14.76
Asia ex-Japan	0.28	0.69
Japan	2.78	3.22
Emerging Markets	6.56	8.14

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

INDEX INFORMATION

The Customized MSIM Global Allocation Index is comprised of 60% MSCI All-Country World Index (benchmark that measures the equity market performance of developed and emerging markets), 30% Bloomberg Barclays Global Aggregate Bond Index (benchmark that provides a broad based measure of the global investment grade fixed-rate debt markets), 5% S&P GSCI Light Energy Index (benchmark for investment performance in the energy commodity market), and 5% ICE BofAML US Dollar 1-Month LIBID Average Index (benchmark that tracks the performance of a basket of synthetic assets paying LIBID to a stated maturity).

The **MSCI All Country World Index (ACWI)** is a free float-adjusted market capitalization weighted index designed to measure the equity market performance of developed and emerging 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 **MSCI World 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 **Standard & Poor's 500® Index (S&P 500®)** measures the performance of the large cap segment of the U.S. equities market, covering approximately 80% of the U.S. equities market. The Index includes 500 leading companies in leading industries of the U.S. economy.

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 **MSCI Japan Index** is a free-floated adjusted market capitalization weighted index that is designed to track the equity market performance of Japanese securities listed on the Tokyo Stock Exchange, Osaka Stock Exchange, JASDAQ and Nagoya Stock Exchange. The MSCI Japan Index is constructed based on the MSCI Global Investable Market Indices Methodology, targeting a free-float market capitalization coverage of 85%.

The **MSCI USA Index** is designed to measure the performance of the large and mid cap segments of the US market. With 631 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in the US.

The **MSCI Emerging Markets Index (MSCI EM)** is a free float-adjusted market capitalization weighted index that is designed to measure equity market performance of emerging markets.

The **STOXX Europe 600 Banks Net Return EUR Index** measures the performance of bank stocks across European developed market countries.

The **EURO STOXX Banks Net Return EUR Index** measures the performance of bank stocks across the eurozone.

The **Bloomberg Global Aggregate Index** provides a broad-based measure of the global investment grade fixed-rate debt markets

The **S&P Regional Banks Select Industry Index** Total Return (TR) measures the performance of stocks in the U.S. regional banks sub-industry.

The index are 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 and that the value of portfolio 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 portfolio. Please be aware that this portfolio may be subject to certain additional risks. In general, **equity securities'** values also fluctuate in response to activities specific to a company. Investments in **foreign markets** entail special risks such as currency, political, economic, and market risks. The risks of investing in **emerging market countries** are greater than risks associated with investments in foreign developed countries. **Fixed-income securities** are subject to the ability of an issuer to make timely principal and interest payments (**credit risk**), changes in interest rates (**interest-rate risk**), the creditworthiness of the issuer and general market liquidity (**market risk**). In a rising interest-rate environment, bond prices may fall and may result in periods of volatility and increased portfolio redemptions. In a declining interest-rate environment, the portfolio may generate less income. **Longer-term securities** may be more sensitive to interest rate changes. **High yield securities ("junk bonds")** are lower rated securities that may have a higher degree of credit and liquidity risk. **Mortgage- and asset-backed securities (MBS and ABS)**are sensitive to early prepayment risk and a higher risk of default and may be hard to value and difficult to sell (liquidity risk). They are also subject to credit, market and interest rate risks. Certain **U.S. government securities**purchased by the Portfolio, such as those issued by Fannie Mae and Freddie Mac, are not backed by the full faith and credit of the United States. It is possible that these issuers will not have the funds to meet their payment obligations in the future. **Real estate investment** trusts are subject to risks similar to those associated with the direct ownership of real estate and they are sensitive to such factors as management skills and changes in tax laws. **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). By investing in **investment company securities**, the portfolio is subject to the underlying risks of that investment company's portfolio securities. In addition to the Portfolio's fees and expenses, the Portfolio generally would bear its share of the investment company's fees and expenses. **Subsidiary and tax risk**the Portfolio may seek to gain exposure to the commodity markets through investments in the Subsidiary or commodity index-linked structured notes. The Subsidiary is not registered under the 1940 Act and is not subject to all the investor protections of the 1940 Act. Historically, the Internal Revenue Service ("IRS") has issued private letter rulings in which the IRS specifically concluded that income and gains from investments in commodity index-linked structured notes or a wholly-owned foreign subsidiary that invests in commodity-linked instruments are "qualifying income" for purposes of compliance with Subchapter M of the Internal Revenue Code of 1986, as amended (the "Code"). The Portfolio has not received such a private letter ruling, and is not able to rely on private letter rulings issued to other taxpayers. If the Portfolio failed to qualify as a regulated investment company, it would be subject to federal and state income tax on all of its taxable income at regular corporate tax rates with no deduction for any distributions paid to shareholders, which would significantly adversely affect the returns to, and could cause substantial losses for, Portfolio shareholders. **Cryptocurrency (notably, Bitcoin)** operates as a decentralized, peer-to-peer financial exchange and value storage that is used like money. It is not backed by any government. Federal, state or foreign governments may restrict the use and exchange of cryptocurrency. Cryptocurrency may experience very high volatility.

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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