

Morgan Stanley Institutional Fund

International Advantage Portfolio

GLOBAL OPPORTUNITY

Performance Review

In the quarter period ending September 30, 2025, the Portfolio's I shares returned -2.24% (net of fees)¹, while the benchmark returned 6.89%.

Year-to-date (YTD), the Portfolio returned 14.41% (I shares net of fees) and the benchmark returned 26.02%.

Global Opportunity 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 portfolio underperformed the MSCI All Country (AC) World ex USA Index this quarter due to unfavorable stock selection, despite favorable sector allocation.

Market Review

International equities advanced in the quarter, led higher by the materials, consumer discretionary and information technology sectors. The consumer staples sector declined, while the utilities and health care sectors also underperformed the benchmark.

Portfolio Review

During the quarter, unfavorable stock selection in consumer discretionary, communication services and industrials detracted from the relative performance of the portfolio. Top detractors included Danish freight forwarder DSV A/S, French luxury brand Hermès International SA, Swedish audio streaming platform Spotify Technology SA, global financial markets data, analytics and infrastructure provider London Stock Exchange Group plc and Latin American ecommerce platform MercadoLibre, Inc.

A sector overweight allocation to consumer discretionary, favorable stock selection in information technology and a sector underweight allocation to health care contributed positively to the relative performance of the portfolio. Top contributors included foundry service provider Taiwan Semiconductor Manufacturing Co., Dutch supplier of lithography equipment ASML Holding NV, Canadian ecommerce solution Shopify, Inc., global luxury goods company LVMH Moët Hennessy Louis Vuitton SE and Latin American digital bank Nu Holdings Ltd.

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 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 detractor Hermès declined after posting lower profit for the first half of 2025 amid softer demand in the luxury sector, despite demonstrating strong pricing power as the company continues to invest in its production and distribution to increase capacity of factories and stores. Hermès is a French luxury goods brand established in 1837 and is renowned for its differentiated leather and silk products. The company remains a family-controlled firm and is one of the best managed luxury brands in the industry, based on our analysis. Throughout its long history Hermès has been able to build strong brand equity with wealthy and loyal client bases that are less affected by economic challenges, leading to strong pricing power. We believe that the company is unique due to its exquisite craftsmanship, superlative manufacturing, exclusive distribution network and family shareholding structure, which incentivizes decision making to maximize the long-term value of the business and the equity of the brand. We believe Hermès can continue to benefit from its highly differentiated brand strategy and historically strong pricing power across economic cycles.

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

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

Shares of top contributor Taiwan Semiconductor Manufacturing Company (TSMC) rallied in the quarter, driven by stronger AI accelerator demand, tight leading edge and CoWoS (chip on wafer on substrate with silicon interposer) capacity and faster technology migration. The market is expecting TSMC to further increase its pricing for its advanced nodes, as well as increasing its CoWoS and advanced packaging capacity to address the strong demand from graphics processing units (GPUs) and application-specific integrated circuits (ASICs). TSMC is the world's largest semiconductor foundry service provider with over 70% foundry market share.² TSMC's cost leadership advantage is driven by its leading-edge technological leadership, manufacturing excellence, scale advantage and long-term customer interest alignment and engagement as the only independent dedicated leading-edge foundry. We believe TSMC can monetize its uniqueness through powering its customers' products in high performance computing, 5G and autonomous driving, enhancing advanced packaging offerings, and supporting hyperscalers and startups' application-specific chip designs.

Shares of 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 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.

Outlook

Equity markets in the third quarter were driven by continued enthusiasm around artificial intelligence and expectations of more accommodative monetary policy. These factors fueled strong performance in the information technology and communication services sectors. The resulting "risk-on" environment supported growth-oriented stocks, particularly those of more speculative and unprofitable companies. In contrast, quality and value segments lagged as more defensive sectors, such as consumer staples and real estate, underperformed. In the quarter, the MSCI AC World ex USA Index outperformed the MSCI AC World ex USA Quality Index by nearly 3%; and on a YTD basis, by over 10%. 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.³ Moreover, 100% of our holdings are projected to generate positive free cash flow, with an attractive 4.6% free cash flow yield based on 2027 consensus estimates.³

Fund Facts

Inception Date	December 28, 2010
Minimum Initial Investment (\$)*	A Shares - 1,000
	I Shares - 1,000,000
Benchmark	MSCI All Country World ex USA Index
Class I expense ratio	Gross 1.00 %
	Net 1.00 %
Class A expense ratio	Gross 1.28 %
	Net 1.28 %

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.

² Source: TrendForce as of June 30, 2025.

³ Source: FactSet, 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	1.40	-2.24	14.41	8.68	19.09	3.93	10.60
Class A Shares at NAV	1.41	-2.31	14.18	8.38	18.76	3.64	10.27
Class A Shares (With Max 5.25% Sales Charge)	-3.93	-7.43	8.20	2.70	16.65	2.52	9.68
MSCI All Country World ex USA Index	3.60	6.89	26.02	16.45	20.67	10.26	8.23

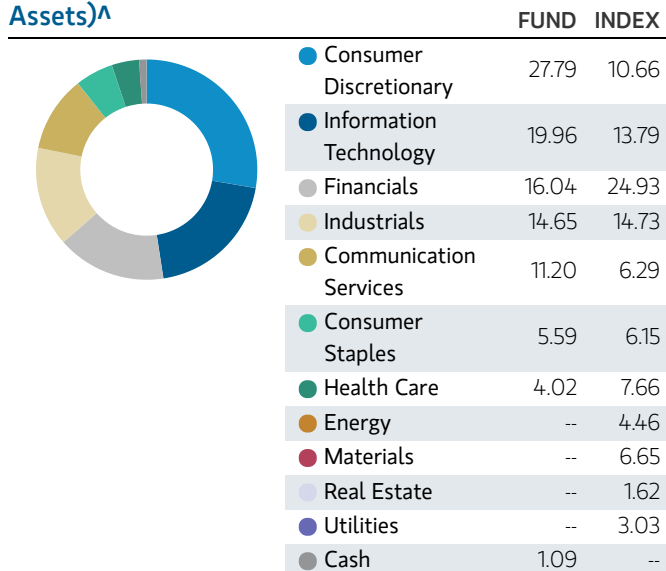
Performance data quoted represents past performance, which is no guarantee of future results, and current performance may be lower or higher than the figures shown. For the most recent month end performance figures, please visit morganstanley.com/im. Investment returns and principal value will fluctuate 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.

Top Holdings (% of Total Net Assets)

	FUND	INDEX
Hermès International S.A.	8.03	0.24
Spotify Technology S.A.	7.59	0.33
DSV A/S	6.88	0.13
Taiwan Semiconductor Mfg Co. Ltd	6.59	3.31
Moncler S.p.A.	5.39	0.04
Schneider Electric SE	5.27	0.48
ASML Holding NV	4.68	1.20
L'Oréal S.A.	4.60	0.33
MercadoLibre Inc	4.44	--
Keyence Corp	4.10	0.23
Total	57.57	--

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



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

INDEX INFORMATION

The **MSCI All Country World ex USA Index** is a free float-adjusted market capitalization weighted index designed to measure the equity market performance of developed and emerging markets, excluding the U.S. 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.

The **MSCI All Country World ex USA Quality Index** measures the performance of quality growth stocks within the MSCI All Country World ex USA Index 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.

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, **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 risks associated with investments in foreign developed countries. To the extent that the Fund invests in a limited number of issuers (**focused investing**), 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. **Illiquid securities** may be more difficult to sell and value than publicly traded securities (liquidity risk). **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. **China risk** Investments in China involve risk of a total loss due to government action or inaction. Additionally, the Chinese economy is export-driven and highly reliant on trade. Adverse changes to the economic conditions of its primary trading partners, such as the United States, Japan and South Korea, would adversely impact the Chinese economy and the Fund's investments. Moreover, a slowdown in other significant economies of the world, such as the United States, the European Union and certain Asian countries, may adversely affect economic growth in China. An economic downturn in China would adversely impact the Portfolio's investments. **Risks of Investing through Stock Connect.** Any investments in A-shares listed and traded through Stock Connect, or on such other stock exchanges in China which participate in Stock Connect is subject to a number of restrictions that may affect the Portfolio's investments and returns. Moreover, Stock Connect A shares generally may not be sold, purchased or otherwise transferred other than through Stock Connect in accordance with applicable rules. The Stock Connect program may be subject to further interpretation and guidance. There can be no assurance as to the program's continued existence or whether future developments regarding the program may restrict or adversely affect the Portfolio's investments or returns. 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. To the extent the Portfolio invests a substantial portion of its assets in the **information technology sector**, the Portfolio may be particularly impacted by events that adversely affect the sector, and may fluctuate more than

that of a portfolio that does not invest significantly in companies in the technology sector. To the extent the Portfolio invests a substantial portion of its assets in the **consumer discretionary sector**, the Portfolio may be particularly susceptible to the risks associated with companies operating in such sector.

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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