

Morgan Stanley Institutional Fund

International Opportunity Portfolio

GLOBAL OPPORTUNITY

Performance Review

In the quarter period ending December 31, 2025, the Portfolio's I shares returned -3.19% (net of fees)¹, while the benchmark returned 5.05%.

Year-to-date (YTD), the Portfolio returned 12.64% (I shares net of fees) and the benchmark returned 32.39%.

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 All Country World (ACWI) 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 information technology, materials and utilities sectors. The communication services, consumer discretionary and real estate sectors declined, underperforming the benchmark.

Portfolio Review

Stock selection and an overweight position in consumer discretionary, as well as stock selection in financials were the greatest overall detractors from the relative performance of the portfolio. Top detractors included Japanese merchandise and entertainment company Sanrio Co., Korean ecommerce platform Coupang, Swedish audio streaming platform Spotify Technology SA, Latin American ecommerce platform MercadoLibre and Southeast Asian super app Grab.

Stock selection in industrials, an overweight allocation to information technology and an underweight position in real estate contributed positively during the quarter. Top contributors included Danish freight forwarder DSV A/S, foundry service provider Taiwan Semiconductor Manufacturing Co., global luxury goods company LVMH Moët Hennessy Louis Vuitton SE, Dutch lithography equipment supplier ASML Holding NV and Italian luxury brand Moncler SpA.

Shares of detractor Sanrio underperformed during the quarter, primarily due to U.S. revenue growth and guidance coming in below market expectations, reflecting a high base from last year and concerns around potential tariff headwinds. Sanrio is a global lifestyle and entertainment brand that owns and manages 450 characters including the iconic Hello Kitty, Gudetama, Aggretsuko and Kuromi. We believe Sanrio is unique due to its highly differentiated and one-of-a-kind intellectual property (IP) franchises, which forge a strong moat. Sanrio is a solid turnaround story. Following the change of management several years ago, multiple organizational reforms have been executed that breathed life into the business. Under the leadership of the new CEO, the once offline and merchandise-centric business has become more digital and gained new traction. Leveraging its powerful IP influence, Sanrio is poised to continue to grow in underpenetrated overseas markets as well as in new fields such as media and education. We believe that its strong focus on the licensing model will likely provide great scalability in margins and returns.

Shares of Coupang declined after reporting a cybersecurity incident involving unauthorized access to customer accounts. We are closely monitoring the issue, and note that the company activated an incident response, disabled the threat actor's unauthorized

¹ Source: Morgan Stanley Investment Management. Data as of December 31, 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.

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access, reported the incident to authorities and warned customers of potential impact. Based on company filings, no customer financial information or login credentials were compromised in the incident. Coupang is Korea's largest ecommerce company, operating under a first-party and third-party model, with a focus on building a next-generation customer experience by enabling a large selection of items at low prices delivered on the same or next day, with a frictionless return process. For example, the average Rocket delivery time was under 12 hours and 99% of orders were delivered within one day.² We believe Coupang is unique due to its scalable logistics infrastructure, low customer acquisition cost structure, loyal customer base of nearly 14 million paid subscribers³ to its Rocket WOW membership program, and a growing third-party marketplace that may be further monetized through advertising and fulfillment services. The company's differentiation and efficient scale may enable it to gain share of a fragmented ecommerce market, with the potential to extend its ecosystem beyond its core business and establish strong positions in new verticals such as food delivery and fintech. Coupang currently accounts for a small percentage of Korea's overall ecommerce market, which is projected to exceed \$336 billion by 2027,⁴ and we have seen from other geographies that an ecommerce market leader can capture as much as one-sixth of the country's total retail sales.⁵

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 Shenker 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 Taiwan Semiconductor Manufacturing Company (TSMC) rallied in the quarter, driven by stronger artificial intelligence (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.⁶ 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.

Outlook

Quality underperformed the broader global market by the largest percentage in over 20 years in 2025,⁷ with the rotation benefiting shares of lower quality cyclicals characterized by slower growth, lower profitability and higher debt, in a market driven by exuberance for artificial intelligence and more accommodative monetary policy. This dynamic has been more pronounced internationally, as quality underperformed in international stocks by 1,041 basis points (bps), driven by the outperformance of European financials and defense, and Asian semiconductors and materials.⁸

Our portfolio has historically underperformed in similar rotational market environments, where top-down factors outweigh bottom-up fundamentals. However, following 12-month periods of underperformance since inception, the International Opportunity Portfolio has outperformed the MSCI ACWI ex USA Index by 2.46% over subsequent years and by 10.46% cumulatively over the next three years, net of fees.⁹

² Source: Coupang company data as of September 30, 2025.

³ Source: Coupang company data as of June 30, 2025.

⁴ Source: Payments & Commerce Market Intelligence as of October 2025

⁵ Source: Alibaba earnings call transcript, March Quarter 2020 and FY 2020 Results.

⁶ Source: TrendForce as of June 30, 2025

⁷ Quality stocks are represented by the MSCI 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. Global stocks are represented by the MSCI ACWI Index. Source: MSCI. Data as of December 31, 2025.

⁸ Year-to-date as of December 31, 2025, the MSCI ACWI ex USA Quality Index returned 21.98% and the MSCI All Country World ex USA Index returned 32.39%. The MSCI ACWI ex USA 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. One basis point = 0.01%

⁹ Source: Morgan Stanley Investment Management. Data as of December 31, 2025.

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 14.9% compounded annually over the next three years, notably higher than the benchmark at 7.6%. We believe this creates one of the most attractive backdrops in our strategy's history.¹⁰

Fund Facts

Inception Date	March 31, 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 1.06 %
	Net 1.00 %
Class A expense ratio	Gross 1.34 %
	Net 1.34 %

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	-0.09	-3.19	12.64	12.64	17.63	-2.80	9.35
Class A Shares at NAV	-0.13	-3.25	12.30	12.30	17.26	-3.11	9.01
Class A Shares (With Max 5.25% Sales Charge)	-5.38	-8.33	6.40	6.40	15.18	-4.15	8.42
MSCI All Country World ex USA Index	3.00	5.05	32.39	32.39	17.33	7.91	8.41

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.

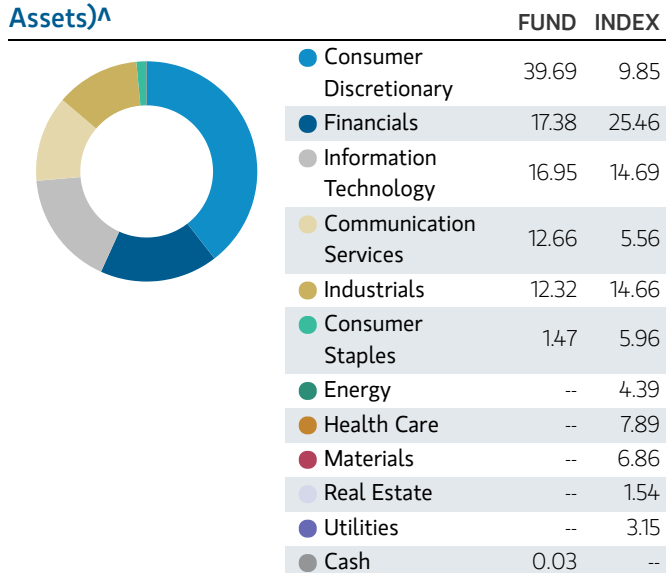
Returns are net of fees and assume the reinvestment of all dividends and income. They are compared to an unmanaged market index. Returns for less than one year are cumulative (not annualized). Performance for one year or more is based on average annual total returns. The returns are reported for Class I and A shares. Performance for other share classes will vary.

¹⁰ Free cash flow yield based on 2027 consensus estimates. Source: FactSet, Morgan Stanley Investment Management. Data as of December 31, 2025.

* 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	5.99	0.15
Taiwan Semiconductor Mfg Co. Ltd	5.33	3.63
MercadoLibre Inc	5.21	--
Spotify Technology S.A.	4.88	0.27
NU Holdings Ltd	4.61	0.17
Schneider Electric SE	4.22	0.45
Hermès International S.A.	3.51	0.24
Coupang Inc	3.47	--
Trip.com Group Ltd	3.35	0.13
ASML Holding NV	3.32	1.25
Total	43.89	--

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 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. **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**). **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 **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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